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Resilience to Sustain Growth

ANNUAL REPORT 2021

EXIM BANK

Innovation is life

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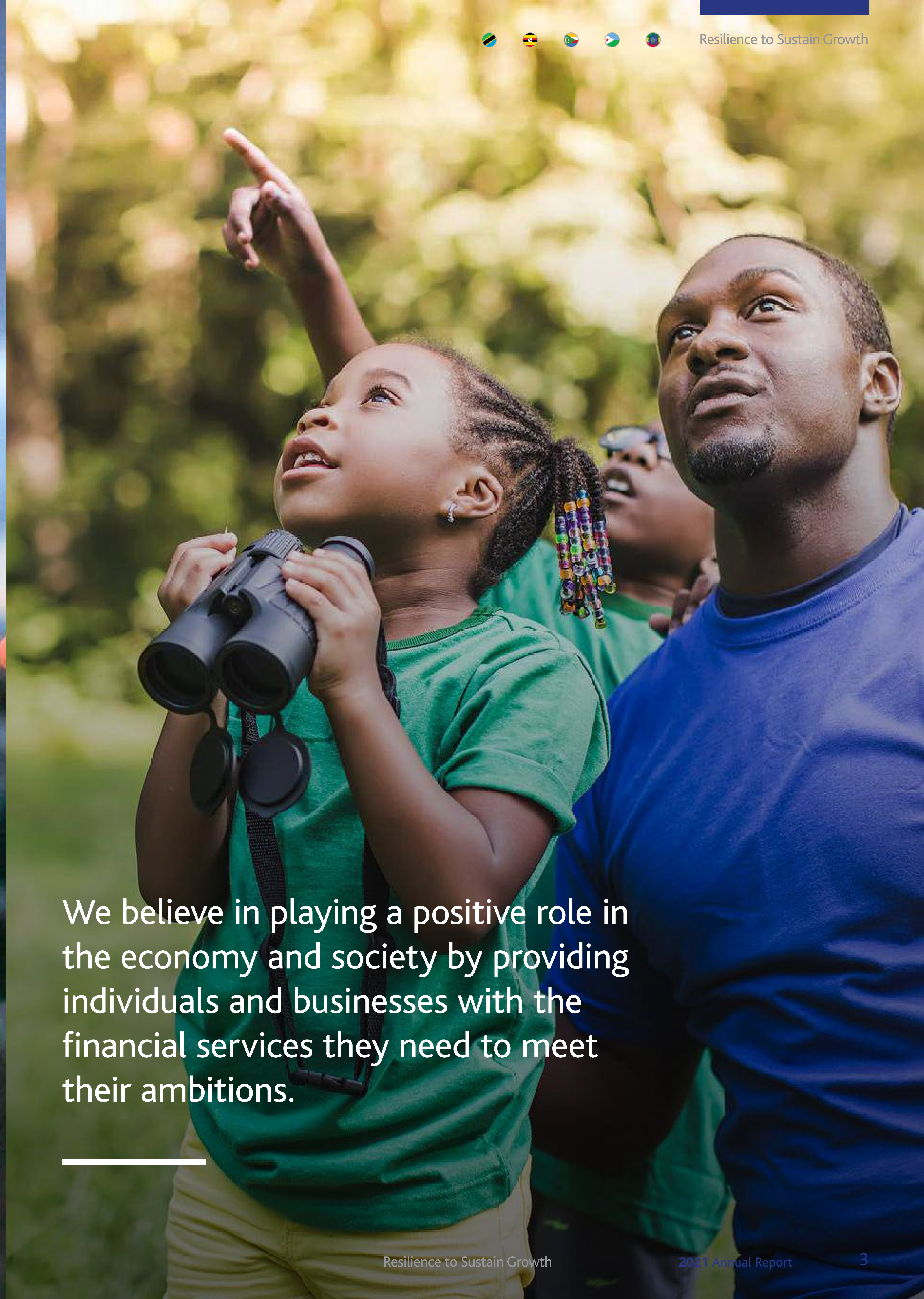


We believe in playing a positive role in the economy and society by providing individuals and businesses with the financial services they need to meet their ambitions.

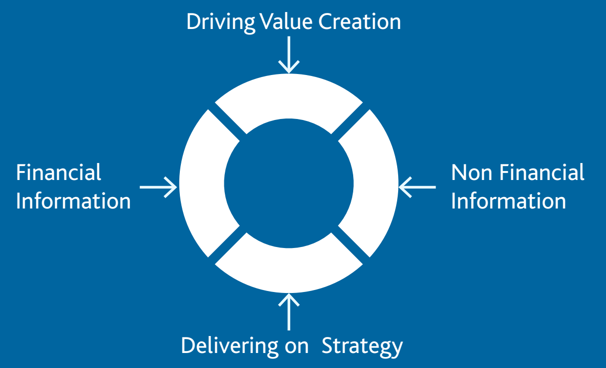
Our Purpose

To be the bank of choice - helping customers become financially better off.

ABOUT OUR THEME

The 2021 financial year provided challenges and opportunities in equal measure. Exim Bank, remained resilient throughout the year, building on the successes of the preceding year. The Group successfully navigated the unpredictable environment and emerged resilient, powered by a passionate workforce, and supportive shareholders. Living by its purpose, the bank invested resources and time in supporting customers through challenging times and sustained growth of our enterprise.

The successes of 2021 can, therefore, be attributed to the passion of its people, the support of stakeholders and the inherent strengths founded on an adaptive strategy and sound leadership. The theme ‘ Resilience to sustain Growth’ encapsulates the key strengths that characterized the year; i.e., collaboration, passion and resilience.



FORWARD-LOOKING STATEMENTS

This Annual Report has been prepared within the reporting framework for Banks in Tanzania. The report contains certain forward-looking statements about Exim Bank Group’s financial position, results, operations, and businesses. These statements and forecasts involve risk and uncertainty, as they relate to events and depend on circumstances that occur in the future. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Consequently, all forward-looking statements have not been reviewed or reported on by the group auditors.

About this Report

Reporting Scope and Boundary

The Exim Bank Group Annual Report and Financial Statements have been prepared for the period beginning January 1, 2021, to December 31, 2021, being the accounting period for the Group’s operations. This report includes non-financial performance, our approach to risk management, an overview of our material risks and a summary of our governance and remuneration practices. It covers the Group’s business activities during the financial year and provides perspectives on the Group’s prospects. Exim Bank Group comprises four subsidiaries together with other non-financial enterprises.

Intergrated Reporting Concept

Reporting Framework

Exim Bank Group aspires to be a market leader in the way we conduct our business. This includes the way we account for our investments to our shareholders. We endeavour to be progressive, learning from other success cases. In preparing this report, we have adhered to the industry best practice and accounting frameworks for existing and prospective investors.

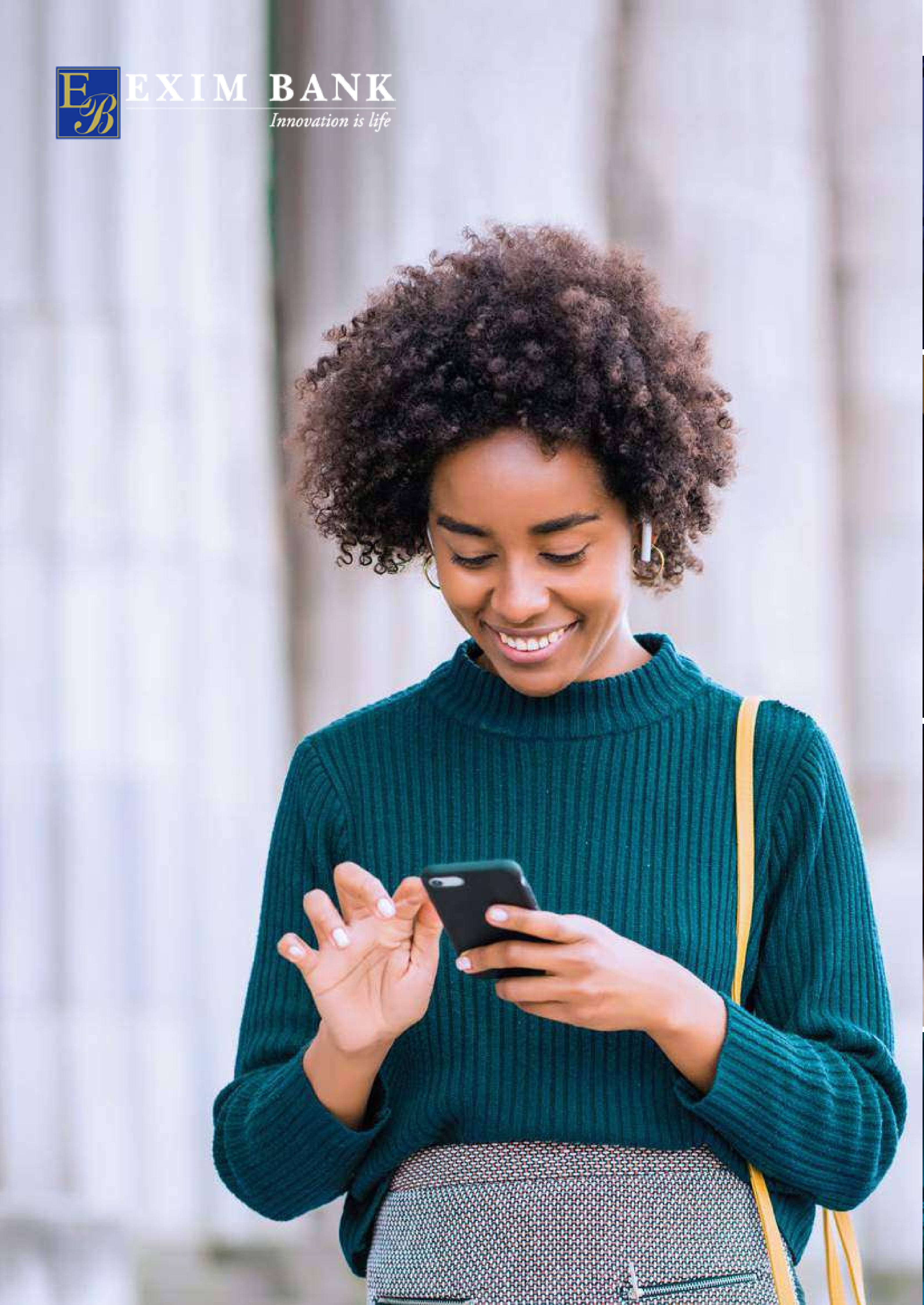
Our report is aligned with the parameters of the laws and guidelines governing limited liability companies, the Bank of Tanzania’s (BoT) prudential guidelines, and the National Board of Accountants and Auditors (NBAA). We have also adopted some Integrated Reporting (IR) approaches to create a foundation for the full adoption of integrated reporting in the coming years.

Materiality

Exim Bank recognizes the reality that we are living in an uncertain and constantly changing world. This requires that we endeavour to be conscious of our social and economic environment. As a group, we believe that having a formal process to identify our material issues helps us report on those that matter most to our business and stakeholders.

Directors Responsibility

The Board of Directors of Exim Bank acknowledges its responsibility for ensuring the integrity of this report. The Board has considered the operating context, strategy and value creation model and this report, in the Board’s opinion, addresses all the issues that are material to, or could have a material effect on, the Group’s ability to create value. From a governance point of view, the report is a fair assessment and accurate representation of the Group’s performance in 2021.



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Abbreviations

ATI	Africa Trade Insurance
BAC	Board Audit Committee
BCC	Board Credit Committee
BM	Branch Manager
BOT	Bank of Tanzania
BRMC	Board Risk Management Committee
CASA	Current Account Savings Account
CIB	Corporate & Institutional Banking
CMS	Cash Management Service
CRM	Conflict Resolution Mechanism
CSR	Corporate Social Responsibility
EAC	East African Community
EIB	European Investment Bank
EWS	Early Warning Systems
EXCOM	Executive Committee
FDI	Foreign Direct Investments
FY	Financial Year
GDP	Gross Domestic Product
HR	Human Resources
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IFRS IC	IFRS Interpretations Committee
IPF	Insurance Premium Financing
ISO	International Organization for Standardization
KYC	Know Your Customer
LDR	Loan-to-Deposit Ratio
MNO	Mobile Network Operator
MTS	Medium-term Strategy
NBAA	National Board of Accountants and Auditors
NGO	Non-Governmental Organisation
NORFUND	Norwegian Investment Fund
NPA	Non-Performing Asset
NPL	Non-performing Loan
PASS	Private Agricultural Sector Support Trust
PAT	Profit After Tax
PBT	Profit Before Tax
PLWD	Persons Living With Disability
RAROC	Risk-Adjusted Return on Capital
REPO	Repurchase Agreement
RM	Relationship Manager
ROA	Return on Assets
ROE	Return on Equity
SAM	Strategic Asset Management
SDG	Sustainable Development Goal
SLA	Service Level Agreement
SME	Small and Medium Enterprise
TADB	Tanzania Agriculture Development Bank
TANAPA	Tanzania National Parks Authority
TAT	Turnaround Time
TIPS	Tanzania Instant Payment System
TRA	Tanzania Revenue Authority
TZS	Tanzania Shilling

Reflections from the Chairman

“The success of our business has not come by chance. It is a result of tireless and relentless efforts of our executives, staff and corporate associates. I wish to take this opportunity, on behalf of the Board, extend my heartfelt gratitude to our directors, stakeholders, regulators, and generally to government. A special thanks to our customers who have chosen to bank with us out of confidence and trust.”

Amb. Juma V. Mwapachu, Board Chairman

We are living in unpredictable times and, increasingly, humanity is appreciating the value of collaboration, especially in times of adversity. Understandably, 2021 was a challenging year for many economies around the world. Our Tanzanian environment of business operations was not spared. The market space began the year with a national tragedy; the passing on of President Dr John Pombe Magufuli in mid-March. However, the tragedy was followed by a peaceful transition of succession of political and State power which ushered in a new political dispensation. With the rise of Samia Suluhu Hassan to the Presidency, the country witnessed a significant development in the role of the national political opposition and in foreign policy. There was a birthing of new optimism, both within the business community and amongst Tanzania's trading partners.

In 2021 the post COVID-19 pandemic impacts linger on, even as the global economy registered gradual recovery fuelled by the reopening of the economies and successful mass inoculations. The economic activities in developing countries witnessed some recovery especially in the economic sectors that had been more gravely impacted by the pandemic. The Comoros, Uganda and Djibouti exhibited favourable change reflecting positive economic growth of 1.9%, 6.0% and 3.9% respectively.

The Exim Group sought to robustly respond to the changing landscape by adapting our strategies which effectively respond to the influencing macroeconomic factors. It is on this positive perspective that I present to you the Exim Bank Group Annual Report and Audited Financial Statements for the year ended December 31, 2021. This report provides a detailed account of the Group's business activities, the operating environment as well as the key risks faced during the year. It also provides clarity on the critical issues of relevance which including enterprise governance.

A Review of the Business

Against a challenging external environment, the Exim Bank Group performed well, courtesy of responsive strategies and a committed workforce. I am particularly grateful to the management team for their admirable efforts in steadying the enterprise and sustaining the focus on service delivery. A key achievement during the year was the turnaround of our operations in Uganda, and the continued stability of the enterprise.

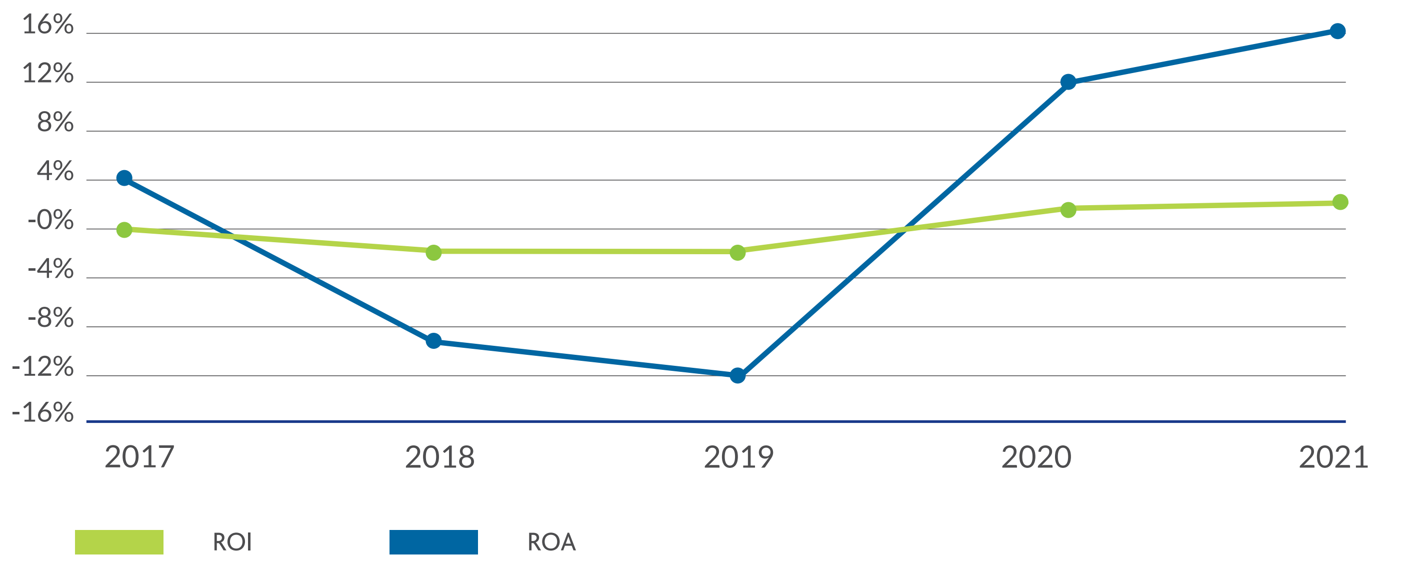
Our vision as a Group is strongly anchored in value creation focus, and our strategy aims to guide our achievement of the core purpose, which is to be the bank of choice - helping customers become financially better off. The realisation of the enormity of our responsibility, both to our customers and the shareholders is what ignites the fire in our bellies and propels us to go beyond what's obvious. I am proud to lead a team of enthusiastic people, bound by a common cause so noble.

During the year, the Group's total shareholders' equity increased by 15% from TZS 178 billion in 2020 to TZS 204 billion in 2021, while net debt (including lease liability has grown by 15% between 2020 and 2021. Earnings Per Share (EPS) have also increased from TZS 1.1 billion to TZS 2.1 billion.

Summary of Key Performance Indicators

	Performance Indicator	Definition/method Of calculation	2021	2020	% CHANGE
1	Return on Equity (ROE)	Net profit/average total equity for past two years	16%	12%	▲ 33.3%
2	Return on Assets	PBT/Average total Assets for the past two years	2%	2%	▶ 0.0%
3	Shareholders' Funds	Trend (current total shareholders' funds – previous total shareholders' funds)/previous year total shareholders' funds	14%	13%	▲ 7.6%

ROE/ROA Trend Over the Past Five Years



Reinforcing our market capabilities

Our Group's value creation business model and long-term strategy have placed it at a vantage point to grow systematically, both locally and in our external markets. Our priority is to improve profitability by leveraging the investments in customer-facing technologies to enhance customer experience and introduce new innovative products. The Group's investment in technology will help improve operations and enhance productivity.

To align the Group fit for growth, the Board has approved investment in new technologies as well as expansion of the distribution network for optimal reach. We are looking to expand our services beyond the current formation by increasing accessibility and taking an active role in driving financial inclusion in our markets.

We have a broad strategy for building new capabilities by leveraging strategic partnerships to drive growth. We have developed a partnership framework, together with a diversification strategy and we are intent on pursuing opportunities that are in line with our growth ambitions. For excellence in delivery, we will explore various initiatives including rationalization of portfolios and reengineering operations to drive efficiency.

Strengthening Governance.

Our Group understands the value of good corporate governance and as such, has put in place frameworks to ensure that the enterprise is governed with foresight and integrity. We see good corporate governance as the core driver of sustainable performance and creates shared value by ensuring the right balance between organizational growth and long-term stakeholders' value.

Our Board recognizes its collective responsibility for the long-term success of the Bank and Group it has set a reasonable environment, which enables it to take an active role in directing the operations of the Bank and Group it meets at least four times a year (at least once per quarter) and has in place a formal schedule of matters reserved to it. This includes overall strategy formulation, implementation guidance and monitoring of the outcome, corporate structure and capital composition structure, financial reporting and control, oversight and review of risk management and internal control systems, significant contracts, succession planning and new Board appointments for compliance with Good Corporate Governance principles.

Future Outlook

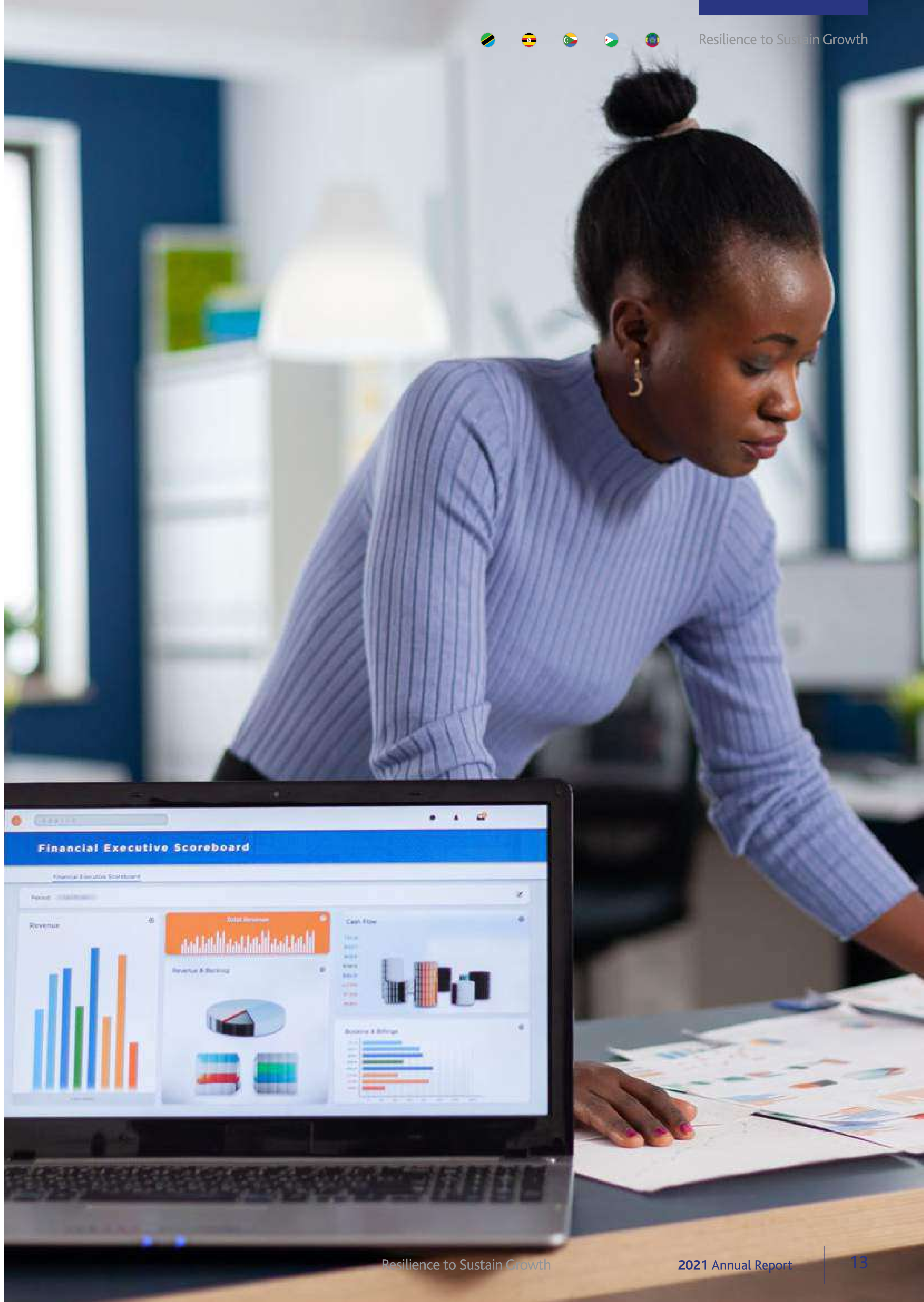
Going into 2022, we see strong prospects for recovery, innovation, and growth. We are committed to rolling out new products and services, enhancing the delivery channels across our subsidiaries, and continuously monitoring efficiency ratios to identify opportunities for cost savings.

We will continue to draw lessons from the challenges of the past two years and build stronger mechanisms to withstand disruptions. As a Group, we are reflecting on how to remain resilient in times of adversity, while sustaining value creation. We will relook at various risk factors, business models, and procedures to not only confirm their robustness but also their relevance in the dynamic environment in which we find ourselves.

Acknowledgments

The success of our Group has not come by chance, it is a result of tireless efforts from our people, partners and system associates. I wish to take this opportunity, on behalf of the entire Board, to extend my heartfelt gratitude to all our stakeholders, including regulators, the Government itself and our partners for their support. I immensely thank our customers who have chosen to bank with us, for their trust and confidence. Special thanks to our shareholders who continue to show utmost support for the growth of Exim Bank.

Amb. Juma V. Mwapachu
Board Chairman



Corporate Profile

01

Who We Are

We are of the leading financial services providers in four countries, and Tanzania's first international bank. Since welcoming our first customers at Samora Branch, Dar es Salaam, in 1997, we have continued to grow our national and regional reach.

At Exim Bank, success is defined by how we make a difference in the lives of our customers, the communities and our shareholders. We see ourselves as an enabler of growth and a facilitator of our nation's prosperity.

We offer a full range of products and services designed to meet the needs of our consumer, business, corporate and institutional clients.

Our Mission

We are committed to remain an innovative Tanzanian Bank, offering services of International standards.

Our Vision

To be the bank of choice helping customers become financially better off.

Our Core Values

- Flexibility
- Reliability
- Integrity
- Professionalism
- A drive of customer satisfaction

Our Story of Growth

Exim Bank believes in continuous growth and sustainable value creation. Over the years, we have harnessed our strengths and leveraged opportunities to grow our asset base, and to successfully expand our reach.

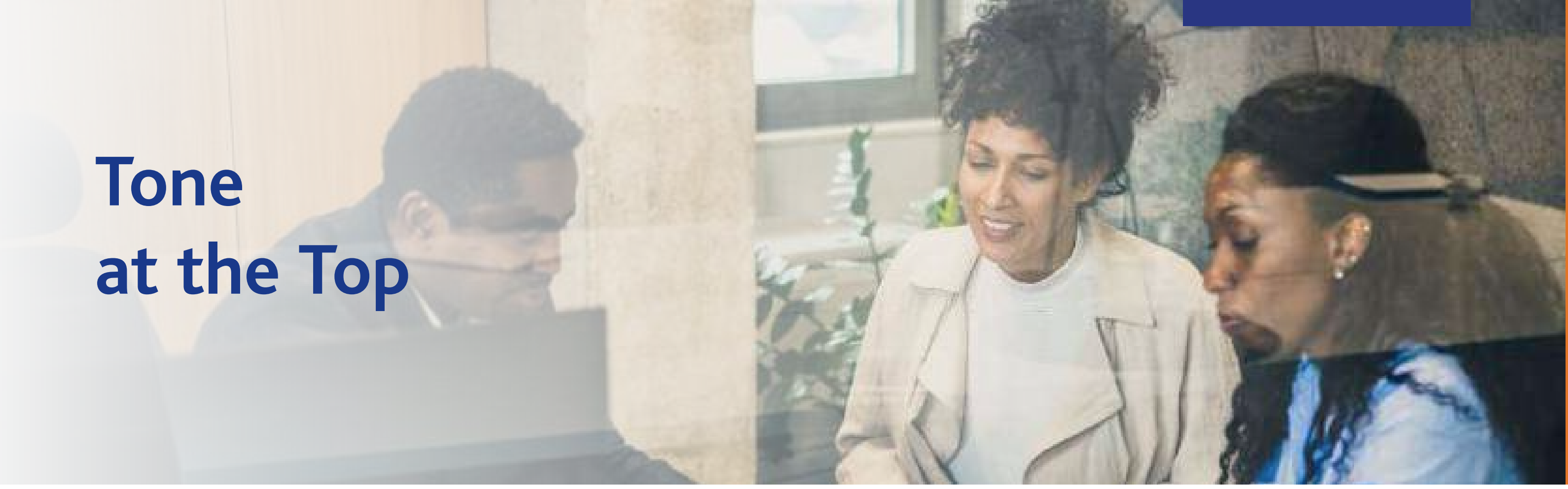
We have presence in all major towns in Tanzania including Dar es Salaam, Dodoma, the Island of Zanzibar, Tanga, Morogoro, Kilimanjaro, Arusha, Manyara, Mwanza, Shinyanga, Kigoma, Iringa, Mbeya and Mtwara regions in Tanzania and overseas subsidiaries at the Union of Comoros, in the Republic of Djibouti and Uganda – an international presence unmatched by other Tanzanian banks.

Our core purpose is to be the bank of choice - helping customers become financially better off.

Our continued growth and success are founded on several key factors:

- A committed team that lives our shared values and works together to provide customers with the best services
- A straightforward business model anchored in diversification by business, geography, risk, and people, as well as a clear focus on our business strategy
- We embrace the future by establishing ourselves in unbanked markets where we connect our customers to wider opportunities.
- We're continuing to develop our range of products and services, to meet customer changing needs.
- We embrace new technology to improve the services we offer - our mobile banking service means customers can manage their banking needs anytime, anywhere.

> Our core purpose is to **be the bank of choice**, helping customers become financially better off.

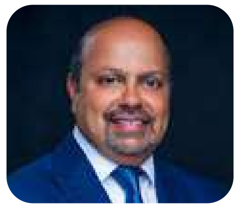


Tone at the Top

Our Group is led by a dynamic Board of Directors, with a wealth of experience and a diverse set of skills and industry experience.

Tanzania Board

Amb. Juma V. Mwapachu
Position: Chairman
Age: 80,
Nationality: Tanzanian



Mr. Kalpesh Mehta
Position: Director
Age: 52,
Nationality: British

Mr. Thomas Wescott
Position: Director
Age: 70,
Nationality: American

Ms. Irene Mlola
Position: Director
Age: 48,
Nationality: Tanzanian

Mr. Sherazam Mazari
Position: Director
Age: 69,
Nationality: Singaporean

Mr. Hanif Jaffer
Position: Director
Age: 59,
Nationality: Tanzanian

Mr. Shaffin Jamal
Position: Director
Age: 51,
Nationality: Tanzanian

Mr. Yogesh Manek
Position: Director
Age: 67,
Nationality: Tanzanian

Subsidiary Board, Uganda

Mrs. Sarah N. Bagalaaliwo
Position: Chairperson
Age: 72,
Nationality: Ugandan

Mr. Alykhan Karmali
Position: Director
Age: 54,
Nationality: Ugandan

Mr. Akhilesh Jog
Position: Director
Age: 61,
Nationality: Indian

Mrs. Caroline R. Mubangizi
Position: Director
Age: 65,
Nationality: Ugandan

Mr. Sherazam Mazari
Position: Director
Age: 69,
Nationality: Singaporean

Mr. Yogesh Manek
Position: Director
Age: 67,
Nationality: Tanzanian

Mr. Henry Lugemwa Kyanjo
Position: Chief Executive officer & Director
Age: 54,
Nationality: Uganda

Mr. Edward Kanyike
Position: Deputy Chief Executive officer Finance & administration & Director.
Age: 47,
Nationality: Ugandan

Mr. Washington Matsaira
Position: Director
Age: 67,
Nationality: Zimbabwean

Ms. Florence Njunwoha
Position: Director
Age: 68,
Nationality: Ugandan

Mr. Shaffin Jamal
Position: Director
Age: 51,
Nationality: Tanzanian

Each of our board members is deeply engaged in developing and measuring the company's long-term strategy, performance, culture, and values.

Subsidiaries Board, Comoro

Mr. Yogesh Manek
Position: Chairman
Age: 67,
Nationality: Tanzanian

Mr. Dinesh Arora
Position: Director
Age: 63,
Nationality: Indian

Mr. Hanif Jaffer
Position: Director
Age: 59,
Nationality: Tanzanian

Mr. Ahmed Mohamed Thabit
Position: Director
Age: 77,
Nationality: Comorian

Mr. Lalgudi K. Ganapathiraman
Position: Director
Age: 66,
Nationality: Indian

Subsidiary Board, Djibouti

Mr. Yogesh Manek
Position: Chairman
Age: 67,
Nationality: Tanzanian

Mr. Nalinkumar Kothari
Position: Director
Age: 75,
Nationality: Djiboutian

Mr. Dinesh Arora
Position: Director
Age: 63,
Nationality: Indian

Mr Sumit Shekhar
Position: Director
Age: 43,
Nationality: Indian

Mr. Shaffin Jamal
Position: Director
Age: 51,
Nationality: Tanzanian

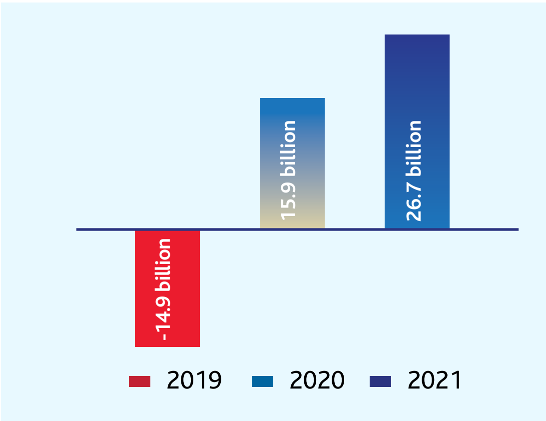
Mr. Lalgudi K. Ganapathiraman
Position: Director
Age: 66,
Nationality: Indian

We believe that every individual, adds valuable perspectives which foster robust, open debate about significant business issues that brings additional discipline to major decisions.

Note
Please note that some directors serve in more than one subsidiary boards

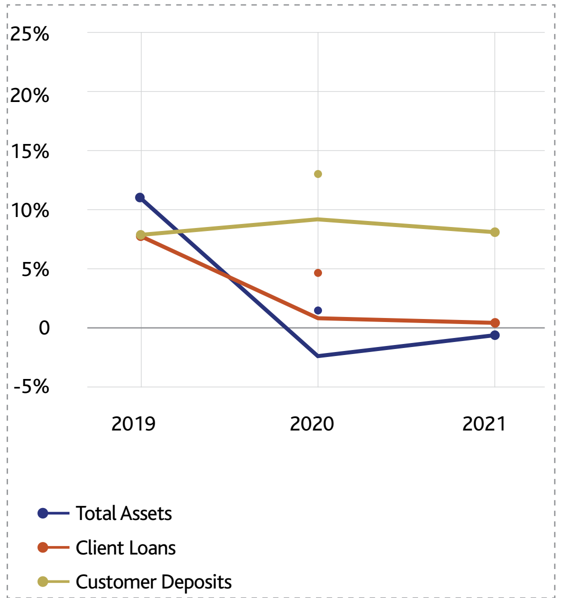
Perfomance At a Glance

Profit After Tax (TZS)



The Group sustained growth in key indicators, leveraging the stability in our markets and the opportunities in the different markets. The Group's Profit After Tax (PAT) grew by 67.9% to TZS 26.7 billion from TZS 15.8 billion reported in 2020. *Read more on page 58-61*

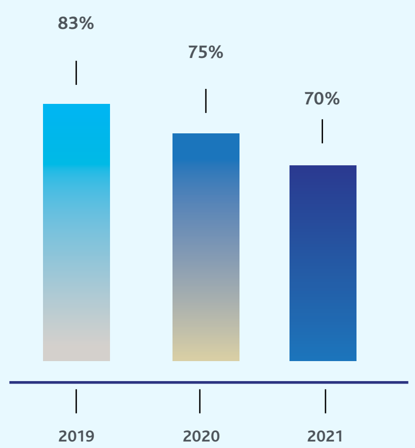
Balance Sheet Growth (YoY)



During the FY year, the balance sheet grew moderately, from TZS 1.96 trillion to TZS 2.10 trillion, representing 7.1% positive movement from the 2020 FY. *Read more on page 58-61*

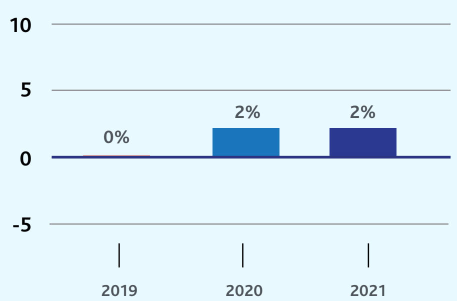
Key Ratios

Cost-to-income Ratio



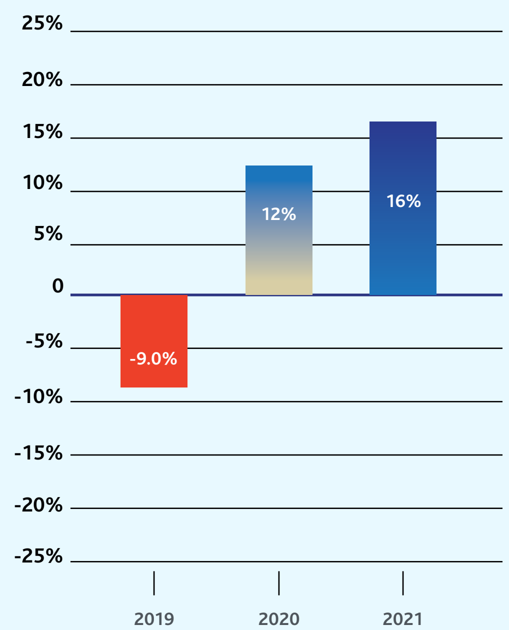
We have a strategy that guides its growth, with reasonable metrics that adequately enable an accurate assessment of its performance.. *Read more on page 58-61*

Return on Assets (ROA)



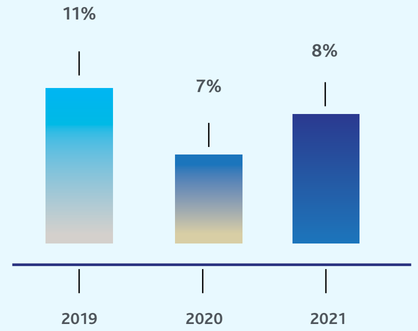
The Group's total assets grew by 16%, up from 11% reported in 2020; while loans and advances grew marginally by 2% compared to 15% reported in the previous year. *Read more on page 10-12*

Return on Equity (ROE)



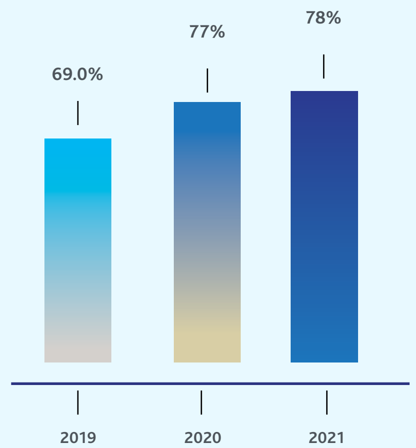
The Group's total shareholders' equity increased by 15% from TZS 178 billion in 2020 to TZS 204 billion in 2021, while net debt (including lease liability has grown by 15% between 2020 and 2021. Earnings Per Share (EPS) have also increased from TZS 1.1 billion to TZS 2.1 billion. *Read more on page 10-12*

Non-Performing Assets (NPA) ratio



During the year, the Group's Non-performing Assets (NPAs) rose marginally to 8% from 7% registered in 2020. The negative change was attributed to the slowdown in some of our subsidiaries, whose loan book was beset by the pandemic . *Read more on page 58-61*

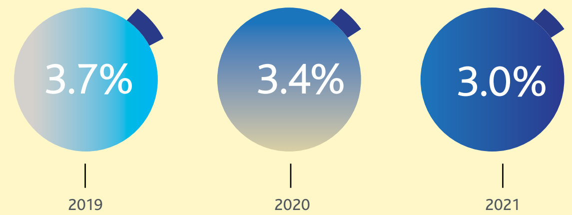
Loan-to-deposit ratio (LDR)



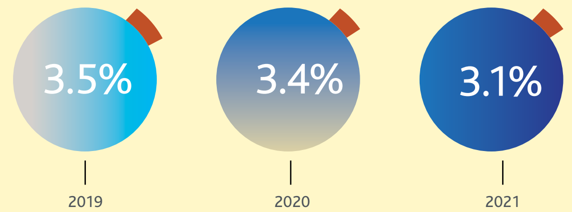
We continue to explore alternative funding sources to drive our growth in the 2022 financial year and beyond. *Read more on page 58-61*

Market share

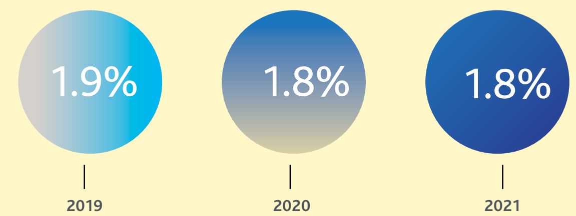
Total Assets



Client Loans



Customer Deposits



CEO's Reflections

> "We were intentional in building organizational resilience to successfully navigate the challenging business environment, and adequately meet the evolving needs of our customers."

Jaffari Matundu, Chief Executive Officer

Recovery was the keyword in 2021. For our Group, the year marked a rebirth of the Exim spirit of collaboration, and presented a unique opportunity for us to build stronger relationships with our customers and the wider stakeholder community. Learning from the experiences of the preceding year, we prioritised supporting our customers' recovery from the ravages of the pandemic. We also made material contributions towards the efforts by different stakeholders to mitigate the impact of the pandemic on the economy, in the aftermath of the pervasive disruptions.

Despite the challenges, our bank performed well, harnessing enterprise strengths, and taking advantage of the emerging opportunities to pursue growth. It is against this background that I am delighted to present to you the Annual Report and Audited Financial Statements for the 2021 financial year.

Our Operating Environment

Reflecting on the year, it suffices to say that 2021 was unique for our business as it marked a turnaround in operations, growing from sustained efforts to strengthen performance. More importantly, we were successful in supporting our customers as they continued to navigate the challenges that came their way.

Tanzania, which is our anchor market, continued to provide a stable environment that fuelled our growth. Specifically, the positive sentiments, following a peaceful transition in the country's political administration added impetus to the growing positivism within the investor community about the country's economic prospects.

The government's decision to continue with the investment priorities of the previous regime, especially infrastructure spending boded well with the economy, providing employment opportunities to ordinary citizens. During the year, we witnessed recovery in most of the sectors which were heavily impacted by the pandemic in 2020. The gradual resumption of business and the sustained inoculation campaigns helped accelerate recovery.

Group Perspective

Comoros

The economy rebounded with a GDP growth of 1.9%, up from 0.2% recorded in 2020. The growth was mainly fuelled by agriculture, which grew by 3.8%, benefiting from favourable weather conditions. There was also growth in external demand, which appreciated by 19.5% after falling by a massive 52.4% in 2020 on account of the covid disruptions.

On the regulatory front, the Central Bank of Comoros (Banque Centrale des Comores) continued to implement an expansionary monetary policy by maintaining the reserve requirement rate, which it had lowered to 10% in March 2020. Inflation reached 1.4% in 2021, up from 0.9% in 2020, owing to increasing food prices resulting from supply constraints in imported goods.

Uganda

Presented similar fortunes with a rebounded economy, reeling from a depressed environment that was exacerbated by the pandemic. Growth recovered to 6.0% in 2021 from a contraction of 1.5% in the previous year, lifted by household consumption and investment. Agriculture was the least affected sector; industry was supported by strong expansion in mining and construction, while manufacturing remained sluggish. Services are returning to pre-COVID-19 trends, driven by public administration and education.

Djibouti

The situation in Djibouti was equally encouraging with a recovery of 3.9% up from 1.2% in 2020. This pickup was supported by a revitalized services sector, especially the port activities, which generate about three-fourths of GDP. On the demand side, exports and investment remained the key factors, with an estimated contribution in 2021 of 14.6% and 4.8%.

Growing the Business

The 2021 financial year was the first of our three-year strategy, during which we focused on addressing performance gaps, building strong foundations for recovery and enhancing portfolio quality to sustain growth. We were intentional in building organizational resilience to successfully navigate the challenging business environment, and adequately meet the evolving needs of our customers.

The Group sustained growth in key indicators, leveraging the stability in our markets and the opportunities in the different markets. The Group's Profit After Tax (PAT) grew by 40.4% to TZS 26.7 billion from TZS 15.9 billion reported in 2020. The growth is attributed to an increase in both the interest income and net fees and commissions.

In principle, the Group's balance sheet expanded moderately, from TZS 1.96 trillion to TZS 2.10 trillion; with marginal growth in loans and advances. We maintained adequate capital and made gains in enhancing the efficiency of our operations.

From a strategy perspective, reducing the cost of our operations remains a key priority, especially in the context of increasing regulatory pressure and in line with our value creation ambition. During the year, the Group continued to implement strategies to drive productivity and grow income streams, consistent with our medium-term plan. As a result of these initiatives, the Group closed the year with a cost-to-income ratio of 70%, down from 75% reported in 2020.

Our subsidiaries continue to contribute positively to our performance with all our markets exhibiting sustained recovery from the pandemic shocks. Notably, the combined subsidiary earnings reached the 50% threshold, signalling the maturity of the Group's strategic investments across the region. A key achievement during the year was the successful turnaround of our Uganda subsidiary, which had been performing dismally.

Investing in Technology

Our Group understands the central role that technology plays in enhancing the service experience for our customers. During the year, we rolled out a digital transformation program that targets to enhance the bank's digital capabilities and pave way for more innovation and expansion of service. Specifically, we began the process of upgrading our core banking system to enhance the experience of our customers. We also upgraded computer peripherals across the network and integrated systems for more efficient collaborations.

Broadly, the digital transformation program targets to enhance the Group's digital capabilities to enable us to deliver a seamless banking experience across all our touch points. We have a strategy to expand our alternative banking channels through digital platforms, including mobile and internet banking, which we see as strategic to our growth ambitions.

Investing in Our People

Our people are the backbone of the enterprise. We continue to make strategic investments tarted at improving the welfare of our employees and increasing the engagement levels across our operations. We believe that by providing an exciting environment for our employees, we will build a culture of selfless service, which will be reflected in the service experience of our customers.

During the year, we continued to invest in learning and development to enable our staff to gain knowledge and skills that are in sync with the dynamic environment in which we operate. Our various initiatives in HR have made our Group an employer of choice, registering the lowest attrition rate in the market.

Involvement in the Community

Exim Bank Group believes in creating an impact in the community. Each year, we invest in social causes in the areas of environment, education, sports, tourism and health. During the year, we continued to support worthy causes in the community, leveraging strategic partnerships and the public programs around health, in the aftermath of the pandemic.

Key Achievements

Despite the extraordinary circumstances of 2021, I am happy to report that our Group made significant achievements, driven by the resilience of our team. Key among the achievements was the successful efforts to support our customers in their recovery.

In addition, we strengthened internal governance mechanisms and improved processes, which resulted in increased efficiency and shorter turnaround time. From the operational front, the Group implemented robust business continuity and succession planning, in line with the sustainability strategy.

Future Outlook

Our medium-term strategy has built a strong foundation for the Group, even as we embark on a journey to accelerate growth. The 2021 FY was the first of our 3-year strategy, and I am glad that we have been able to deliver strongly on the defined metrics. Going into 2022, our priority is to strengthen the drivers of growth, building on the strong foundations for sustainability.

As a Group, the ever-changing nature of our customers reckons that in order to remain relevant, we must continue to innovate and provide more personalized experiences. Our digital transformation strategy has been conceptualized to unlock the potential of our Group to elevate our service to our growing number of customers and gain an edge as a leading financial services provider in the markets we operate.

We will keep investing in our employees to ensure long-term success, with an emphasis on career advancement and employee satisfaction as these are related to how well they serve our clients. To foster a customer-focused mindset, we are now developing a program for cultural transformation.

Conclusion

From a business standpoint, we will concentrate on value chain optimization from the nation's rising sectors such as tourism, construction trade and agriculture. In order to increase productivity, we will keep putting high-impact sectors first. To improve service delivery, we also intend to speed up the delivery of digital transformation projects and IT mission-critical systems.

We remain grateful to our stakeholders, more importantly our customers and shareholders for the continued support and trust.

Jaffari Matundu

Group Overview

02

Our Presence

At Exim Bank, we believe in building lasting partnerships that are guided by common values. In the 25 years of our existence, we forged strategic partnerships allowing us to provide a bouquet of world class banking services to suit the business needs of our clients. Some of our financial partners include IFC, PROPACO, NORFUND, EIB, DEG and FMO. We laso have international banking partners, including Citibank; Commerzbank and Deutsche Bank.

The Economies We Serve

Exim Bank, Tanzania

We a Tier-1 bank in Tanzania and among the first commercial banks to operate in the country, following the finacnial libearlisation of the early 90s.

Exim Bank Tanzania the parent company for all our subsidiaries and boasts of a strong brand in the region

Employees	Agents	ATMs	Branches
609 (5 - Core Securities)	0	59	30

Exim Bank, Djibouti

The Bank was formed in Djibouti in October 2010. It has positioned as leading new age bank in the country rapidly scaling up to 7.5% Market Share in a very Short Span of Time. The Bank has already breakeven with consistent Profit since last 5 years

Employees	Agents	ATMs	Branches
82	4	5	3

Exim Bank, Uganda

We ventured into Uganda in 2016 by acquiring a troubled bank and during short span of time - restored deposits, repaid central bank support and restored customers confidence. Having invested hugely in establishing & revamping policies, processes, products and technology in past few years the bank has breakeven and started yielding positive results with positive bottom-line month on month during 2021.

Employees	Agents	ATMs	Branches
129	100	8	7

Exim Bank, Comoros

The bank was set up in 2007 in the Union of Comoros and its now completed fourteen years of its operations. Since inception, the bank has been profitable and continually growing its market share in terms of the major balance sheet parameters like Deposits, Advances, Total Assets etc., besides strengthening its capital adequacy and proud to have positioned itself as No 1 bank in the Country.

Employees	Agents	ATMs	Branches
117	46	7	7

Representative Office, Ethiopia

We are the first Tanzanian financial institution to start operations in Ethiopian market, objective being to foster strategic initiatives in increasing cooperation with African countries and provides a valuable platform for the Bank to market its differentiated and customized services especially adding value to Djibouti subsidiary.

Our Capacity to Serve

4 Countries

We have a presence in four countries comprising Tanzania (anchor market), Comoro, Djibouti, and Uganda.

47 Branches

The number of branches - 30 in Tanzania and 17 in our subsidiaries.

150 Agents

We have rolled out an aggressive agency network to provide services to the underserved segment.

79 ATMs

We have more than 200 ATMs strategically located in key urban centres to provide instant cash services to our customers in our markets

*We are the first Tanzanian Bank to establish subsidiaries outside the country.

Tanzania Operating Context

Overview

Our operations are largely influenced by our operating context. This, therefore, requires that we support public sector initiatives to achieve sustainable development. We have a strategic focus on the various value chains within the economy, across all sectors including trade, manufacturing, agriculture, mining, and construction.

Exim Bank Group sees itself as an economic enabler, and endeavors to play an active role in financing a range of customers across our markets. Our aim is to create opportunities for growth and to foster access to finance across territories through our wide distribution network and alternative banking platforms.

Outlook

Looking forward, the Group will continue to support economic sectors with a special focus on sectors less impacted by the pandemic in all our markets. The Group will also continue to leverage public investment projects in our markets of operation as part of our commitment to transform lives through our business. The bank commits to develop innovations to solve problems affecting individual customers, small and medium-sized enterprises (SMEs) as well as large businesses.

Banking Environment

Overview

The Banking environment remains heavily regulated, in all our markets of operation. Tanzania, which is our anchor market, continued to witness significant policy changes including a regulator's directive to commercial banks to regularize efficiency ratios to below 55% by end of 2022.

Impact

The changes in the policy environment continue to inflluence the Bank's approaches to governance and risk management in as far as policy developemnt. Changes frameworks continue to impact accounting practices.

Response

The Group has proactively adopted this change and has implemented news standards and guidelines as they become effective. The Group will continue to implement Risk, compliance and governance best practices in all our operations.

Competition

Overview

The banking landscape continues to face mounting competition from other players, mainly Mobile Network Operators (MNOs) and Fintechs, with technology disruptions becoming a norm. Similarly, Mergers and Acquisitions being witnessed in the banking industry, are likely going to create stronger entities that may increase competition in the sector.

Impact

Stiff competition is expected within the sector by partnerships and Alliances with industry disruptors and innovation of customised services.

Response

The Group plans to revamp its expansion strategy and focus on growing its reach within the Tanzanian market. Also, the bank will continue to drive a digital transformation agenda towards building the Bank of the future and creating value to our society through access to credit, financial inclusion and social responsibility programs.

The bank will continue to leverage its competitive advantage through customer centricity, improved technology and a committed work force to deliver value to all stakeholders.

Technology

Overview

The banking sector has embraced technology to serve customers more efficiently and conveniently. The use of technology has revolutionized banking from brick and mortar to clicks, changing how banks deliver services across its channels. Technology is instrumental in digitizing banking and building capabilities.

Impact

Technological advancements are re-shaping customer value propositions and delivery of services across multi-channels. The Tanzania Instant Payment System will create a central system that will connect all financial service providers fostering efficiency, cost effective transacting and interoperability.

Response

The Group is strategically focused to deploy technological advancements to meet the demands of our customers and remain competitive. We are committed to adopting new technologies and business models that support growth and driving digital adoption.

The Bank also intends to build advanced analytics capability to maximise the utilisation of the data asset in revenue growth, risk/fraud control and efficiency (financial control and operational cost).

We will continuously promote and drive agile culture throughout the organisation in order to manage speed, scale and value of the digital transformation.

Customer

Overview

The Exim Group serves a diverse customer base with changing needs and an ever-increasing demand for more value and convenience. Technology is highly impacting the banking landscape offering a distinct proposition to the customer for convenience.

Impact

Customer's loyalty is being compromised in the search for more value and convenience with the latest technology and lifestyle products.

Response

The Group maintains a customer centric focus, innovating business models that meet the customer demands and leverages on cutting edge technology to find solutions for customer needs.

We are currently upgrading the core banking system to shore up our capabilities to serve customers more efficiently and expand our alternative channels and ensure our sustained growth across the entire Group operations.

Our Management Team

Jaffari Matundu
Chief Executive Officer

Shani Kinswaga
Chief Financial Officer

Sumit Shekhar
Head – Strategic Investments & Subsidiaries Management

Edmund Mwasaga
Head - Legal Department

Colman Riwa
Chief Internal Audit

Alamin Merchant
Chief Technology & Digital Transformation

Mubezi Brian Lwakabare
Ag. Head - Treasury & Global Markets

Shrikant Ganduri
Head - Corporate & Institutional Banking

Tumaini Mwakafwanga
Head - Business Operations & Service Delivery

Frederick F. Kanga
Head - Human Resources

Andrew Lyimo
Head - Retail Banking

Zainab Nungu
Head - Credit

Queen Siraki
Head - Special Assets Management

Innocent Mbelwa
Head - Risk & Compliance

Stanley M. Kafu
Head - Marketing & Communication

Priti Punatar
Head - Administration

Forward Thrust

The Exim Bank Group serves a prominent and diverse set of clients and investors, including leading multinational corporations, large institutional investors and financial sponsors, Small and Medium Enterprises (SMEs), and individual customers. We continually strive to enhance our capabilities by bolstering our infrastructure, reinforcement in customer service and centralizing key processes in order to provide the highest calibre of service to our clients.

Bringing Value to People

We are an equal opportunities employer and our breadth and diversity is reflected in our people. We welcome people from all backgrounds and recognise that in order to be successful, we need to create an inclusive environment where everyone can realise their potential and succeed. Our employees come from a wide range of backgrounds, skills and specialisations and we value the richness that diversity brings. Gender diversity and balance is central to the Bank's brand image and is an integral part of our growth and competitiveness.

We understand that our people drive our success. That is why we work hard to make our organisation a place where every one of our people is valued for the contribution they make and are supported in achieving their individual goals. We are committed to building a creative and inclusive culture where the ideas, beliefs, attitudes and skills of all our people are valued. The Bank is committed to fostering an environment that nurtures professional development and growth.

A sustainable bank

We believe in playing a positive role in the economy and society by providing individuals and businesses with the financial services they need to meet their ambitions. We ensure our business is sustainable by taking a long-term view: valuing our employees; addressing the impact we have on the environment; and investing in the future of local communities.

Offering & Service Channels

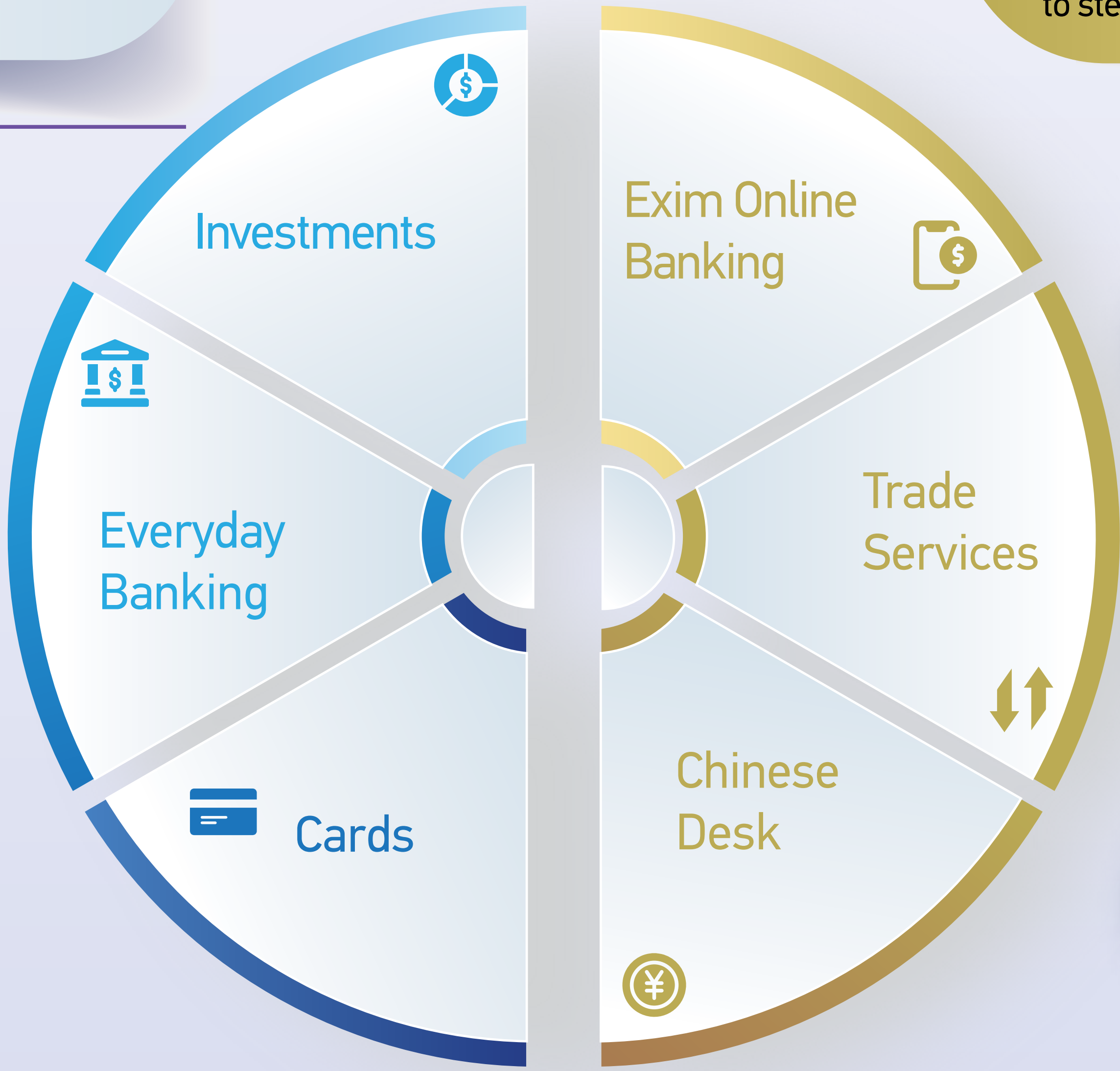
Our Offering

Personal Banking

As you journey through life, your financial needs and priorities change. But with Exim Bank on your side, you have all the help you need. We bring decades of banking expertise that will help you achieve your goals.

Business Banking

When it comes to your business, we always keep the bigger picture in sight. So, be it our business solutions or banking advice, you can rely on our wealth of expertise to steer your business forward.



Whether it's a fixed deposit account or a recurring deposit account, you can rely on us to keep your long-term financial goals in check.

Looking after your money is vital to everyday life. So it helps to know that there are convenient ways to do exactly that.

Accepted all over the world at MasterCard and Visa-approved merchant locations, our cards are packed with advantages.

We provide a seamless online banking experience to give you the convenience you need to grow your business.

Be it bill discounting, bank guarantees, or shipment financing, our spectrum of financial solutions grows with your business to assist you at every step.

A one-stop shop with Mandarin speaking staff to ensure smooth business transactions between Tanzania and China.

Service Channels

- 47 branches across our operations
- Robust mobile banking servicess
- VISA & Mastercard enabled cards
- Robust internet banking
- Mobile Bank Units
- Agency Network

Our Products & Services

	CORPORATE & INSTITUTIONAL BANKING	RETAIL BANKING	TREASURY AND GLOBAL MARKETS
	We offer unique, tailor-made solutions that address the financial needs of large enterprises and institutions.	We blend our banking expertise with an innovative, human-centric approach to provide an unrivalled banking experience for our customers.	We provide top-notch capital management services that address key financial risks facing our customers.
WHO WE SERVE	Corporates, institutions, non-governmental organizations (NGOs), and parastatals	Individual clients, businesses including SMEs, microenterprises, SACCOs and VICOBA	High-net-worth individuals, and other retail, business, and corporate clients.
WHAT WE OFFER	We provide wholesale banking solutions, including investment banking and corporate lending, global markets and treasury, commercial-property finance, deposit-taking, and transaction-al banking.	We have an array of transactional banking services including cards, payment solutions, lending solutions and, investment products, card-acquiring services for businesses.	We have unrivalled expertise in providing top-of-the-market financial services, including high-net-worth banking and wealth management. We also offer bespoke asset management and insurance solutions to our clients.
OUR PRODUCTS	1. TRADE FINANCE 2. BILL DISCOUNTING 3. EXPORT CREDIT 4. BANK GUARANTEES 5. LETTER OF CREDIT 6. PRE/POST SHIPMENT FINANCING 7. CHINESE DESK	1. CARDS 2. PERSONAL LOANS 3. MORTAGE LOANS 4. ACCOUNTS 5. BANACASSURANCE	1. FORWARDS 2. SWAPS 3. FOREXIM
SOLUTIONS	• CORPORATE CURRENT ACCOUNT • NGO CURRENT ACCOUNT • TAX BANK • SCHOOL FEES COLLECTION • CASH MANAGEMENTSOLUTION	• SALARY • WAJASIRIAMALI • FAIDA SAVINGS • MZALENDO • HABA NA HABA/HABA NA HABA+ • FIXED DEPOSIT • NYOTA JUNIOR SAVINGS	• ADVISORY • GOVERNMENT SECURITIES • FX FOR EVERYONE

WAYS TO BANK

PERSONAL

- Exim online banking – personal
- Exim online banking - business
- FOREXIM
- Card Portal

BUSINESS

- Wallet to bank
- Exim Mobile Banking
- CARDS
- Preferred Banking

Driving Value Creation

03

Exim Journey
Key Milestones Since Inception

> We have over the years worked purposely to develop strong foundations that support the best possible future of our operations. We have forged relationships and partnerships that have given us opportunities to exchange ideas, enabled communities to utilize our products, and cross boundaries. Today, Exim Bank is one of the leading banks in Tanzania, respected for its excellent service delivery, robust infrastructure driven by innovation, and operating on an advanced banking technology platform.

1997- 99
- Bank was Born
- First Branch Samora Avenue
- Humble Beginnings – 15 employees, 2 depts
- 1999 – PAT Crossed 1 Bn

2000-01
- Introduced Banking Software "FLEXICUBE"
- Branch Expansion
- Asset Base Crossed 20 Bn

2002
- CB – CFC Bank, Deutsche Bank
- Loan From – IFC & PROPARCO

2003
- Partnership with PTA Bank & HSBC
- Started "MONEYGRAM"
- Branch Expansion – Morogoro & Tanga

2004-07
- Acquired 5.8% Stake in NMB Bank
- Introduced First Master Card Credit Card in Tanzania
- Loan From NORFUND
- IFC Loan for Agricultural Exports
- Branch Expansion to Mwanza

2008
- First Overseas Subsidiary - COMOROS
- "Sustainable Bank of the Year 2008 Award" by Financial Times / IFC

2009
- Partnered with IFC- "Women Entrepreneur Finance Programme"
- Introduced First Visa Credit Card
- Best Presented Financial Statements NBAA - 2008 and 2009 Times / IFC
- Expansion in Zanzibar & Comoros

2010
- Stake in Tanzania Mortgage Refinance Company
- Introduced First Debit - Master, VISA Platinum & Credit Card in TZ

2011
- Second overseas subsidiary in DJIBOUTI
- "Best Workplace Practices for Training and Development" in the East Africa CSR Awards
- New Core Banking System 'Intellect'

2012
- State of Art Exim Academy
- Partnership – PROPARCO
- Branch Expansion – Kilimanjaro & Kigoma

2013
- "Number One Bank in Customer Care" by the KPMG
- Africa Banking Survey, 2013 Best Practice Environmental Award 2013
- Crossed TZS 1 Trillion Asset mark

2014-17
- Scaled to 4th Largest Bank
- Acquired Bank in Uganda
- Partnership with DEG & EIB –USD 40 Mn Loan
- 2018 – Partner with FMO – USD 35 Mn Loan

2018-20
- Acquisition of UBL Bank in Tanzania
- Among top 6 Banks in the Country in terms of Total Assets with Group Asset Base of TZS 1.7 Trillion TZS

Our Credibility

Pioneer Solutions in Banking

Innovation is a promise we give to our customers and clients. Over the years, we have had significant breakthrough innovations through the deployment of world class technology and customer focused products.

- We are proud to be the first bank to introduce Credit Cards with the launch of International Debit MasterCard, Visa Platinum cards, TANAPA debit cards and Visa credit cards in Comoros.
- We also pioneered Mobile ATM facility solutions and an exclusive financing scheme for women in Tanzania.

Our pioneering efforts stretch across boundaries. In 2007 our Group became the first indigenous bank to establish its foot prints overseas in the Union of Comoros. Today, we have three operational branches in the islands of Moroni, Anjuoan and Moheli. Inspired by this success, we have continued to spread our wings further into Djibouti to establish yet another subsidiary in March 2011, affording a strategic link to landlocked countries in the Horn of Africa. In 2016 we also expanded into Uganda with five branches, building a strong presence in the region.

We continue to build an innovative culture that supports innovation, empowering business units through leadership buy-in and advocacy.

Awards and Recognitions

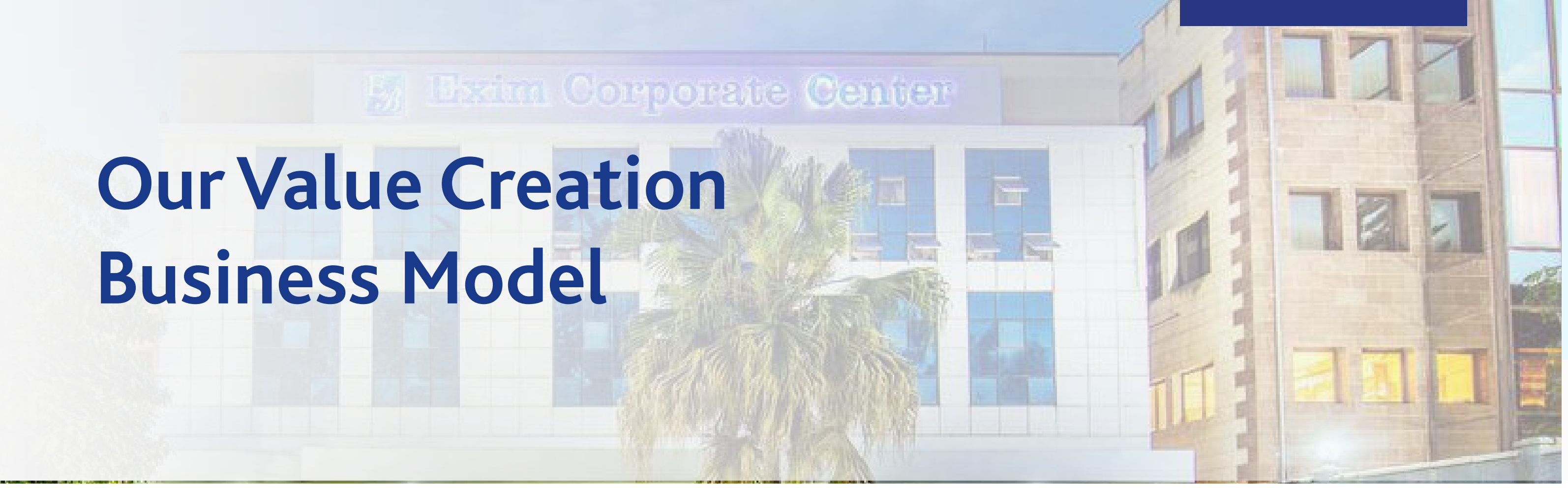
Our strength makes us even more valued and valuable. Over the past decade, we have won many awards, including recognition by the National Board of Accountant and Auditors' (NBAA) for Best Presented Financials statement in the banking Sector Category and the overall winner in 2009 and 2020.

In 2013, the were named the Number One Bank in Customer Care by the 2013 KPMG Africa Banking Survey and also conferred the Best Practice Environmental Award 2013 by the Ilala Municipal Council as the best Financial Institution in environmental practice. Our learning and development program dubbed The Exim Academy, was awarded the ISO9001:2015 quality management certification, which underscored our focus on quality of service.

We have been nominated in various prestigious awards; "Sustainable Bank of the Year, 2008 Award" Financial Times/International Financial Corporation, the "Best Work Practices for Training and Development" in the East Africa CSR Awards 2011" and "Retail Bank of the Year, 2013" by African Bankers Awards.

In 2020, we were awarded the 'Best Presented Financial Statements Award by the National Board of Accountants and Auditors (NBAA) - Tanzania

- Exim Comores has been continually gaining its market share since inception and is elated to have positioned. itself as the No 1 bank in the Country in terms of Total Assets, Deposits, Advances & Profitability etc.
- Exim Comoros became the first bank ever in the Union of Comoros to be awarded as the "Most Innovative Bank" in the country by International Finance Organization (IFO) in 2019.
- Exim Comores emerged as "Banker of the year" for 2021 and received Banker's award from the international financial affairs publication owned by The Financial Times Ltd, London.
- Bank has opened two new branches in Comores islands at Foumbouni and Gold loan center in the year 2018.



Our Value Creation Business Model

Exim Bank Group understands our success as a financial service provider, along with our ability to create long-term value for our stakeholders is predicated upon our ability to effectively manage and leverage the forms of capital available.

INPUTS

OUR SIX CAPITALS

FINANCIAL CAPITAL
Shareholder Funds → TZS 204 Billion

HUMAN CAPITAL
Diverse & skilled workforce → 937 Employees

MANUFATCURED CAPITAL
Our physical & digital infrastructure → 47 branches ICT Estate

INTELLECTUAL CAPITAL
Innovation & Creativity → 30 + specialised professionals

SOCIAL CAPITAL
High brand value and strong community relations

NATURAL CAPITAL
The environmental resources used throughout the Group's operations.

OUR BUSINESS ACTIVITIES, STRATEGY & OUTLOOK

CORE STRATEGY
Leverage innovation to drive competitive advantage in the markets of our operations

To be the bank of choice; helping customers become financially better off

MARKET OUTLOOK
We have a culture of continuously working to adapt to these changes, and navigating challenges to deliver on our promise to our customers and shareholders.

OUR PRODUCTS & SERVICES

CORPORATE & INSTITUTIONAL BANKING
We offer unique, tailor-made solutions that address the financial needs of large enterprises and institutions

RETAIL BANKING
We provide top-notch capital management services that address key financial risks facing our customers.

TREASURY &GLOBAL MARKETS
We provide top-notch capital management services that address key financial risks facing our customers.

BANCASSURANCE
We have a full banquet of innovative insurance products and services that address the insurable needs of our customers

VALUE CREATED

FINANCIAL CAPITAL
ROE (16%), PAT (TZS 26.7bn), EPS (TZS 2,024)

HUMAN CAPITAL
Salaries and benefits, +VE NPS, Low attrition, Training

MANUFATCURED CAPITAL
Digital sales, service availability and uptime, digital customers

INTELLECTUAL CAPITAL
Brand Value, Robust social media engagements, Market leading innovations

SOCIAL CAPITAL
+VE client NPS, New customers, direct and indirect tax contributions, Social Investments,

NATURAL CAPITAL
Conservation initiatives, No. SDGs impacted, Green Projects supported

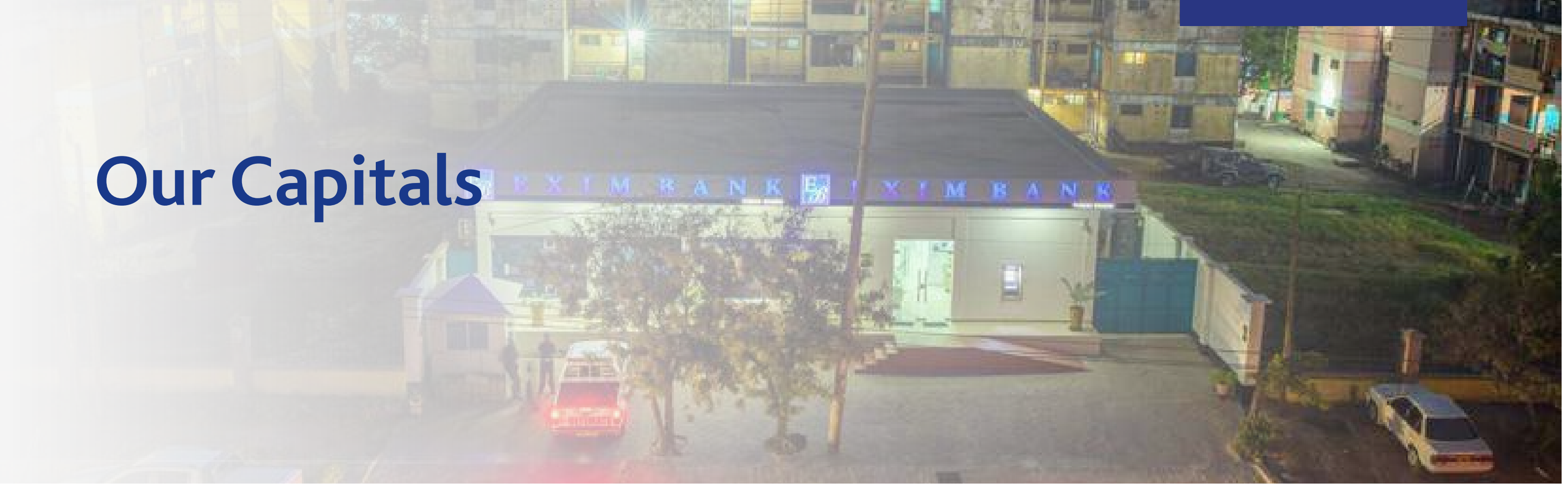
OUTPUTS

KEY DRIVERS

- Business growth
- Customer Centricity
- Efficiency
- Learning & development

DIGITAL TRANSFORMATION

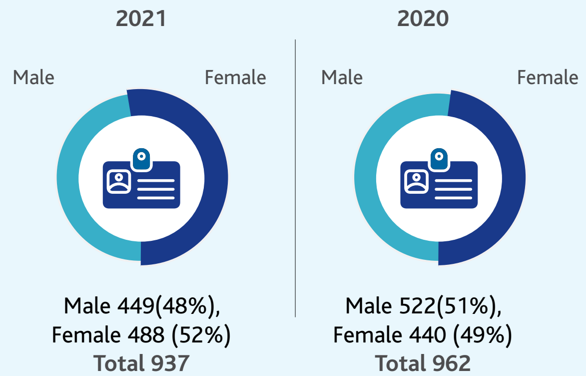
Our Capitals



Exim Bank Group understands our success as a financial service provider, along with our ability to create long-term value for our stakeholders is predicated upon our ability to effectively manage and leverage the forms of capital available to us. This is why we endeavor to manage the various capitals available to us responsibly, taking into consideration the dependencies and externalities.

Human Capital

At Exim, employee engagement is a critical driver of long-term sustainable value. Our people's thoughts and feelings about their work correlate with how satisfied our clients are, and indicate how successful we are likely to be in accelerating our strategy to achieve higher growth and efficiency while retaining the trust our stakeholders have in the group. The group is operated by 937 employees, (2020: 962 employees) who are well diversified and skilled and the group spent TZS 117 million on training. The management team is still implementing an initiative to ensure at least ¼ of all staff in technical roles are certified by 2023. Staff productivity has grown by over 9% (revenue per staff of TZS 179 million in 2021 from TZS 163 million in 2020)



Employee diversity by gender

Manufactured Capital

This relates to physical and digital infrastructure through which we conduct business activities. It includes our branch network, digital platforms and IT estate which we are in the process of enhancing and simplifying. The group's plant property and equipment declined by 19% despite growth in profitability as a result of increased utilization and optimization of available tools. The group network grew by 4% as the number of branches increased from 45 in 2020 to 47 in 2021.

4.0%
Network Growth
as the number of branches increased from 45 in 2020 to 47 in 2021

Intellectual Capital

The group's competitive advantage is resting on its commitment to the promotion of innovation and creativity from which a strategy team under the head of a strategy is established to oversee the group's strategic initiatives. The group overall has over 30 staff who are members of professional bodies and more are supported by the Bank to completion of the same.

Also, our Group adopted and keeps on adopting and deploying several technologies ranging from making the most of available big data and emerging technologies which create operational efficiencies in our entire operations. The knowledge and expertise incorporated within our systems, processes and procedures and the equity built in the Group's brand constitute our intellectual capital. We have invested in a strong brand and subsidiary businesses, strategic partnerships and innovative products and solutions that we offer to our customers. We have made and remain committed to investing in digital adoption with automation at our centre of thought as we deem that to be the future of banking operations soon.

Financial Capital Resources

Our shareholder and debt funding give us a strong capital base that supports our operations and funds growth. Financial capital includes the funds our customers invest with us. During the 2021 financial year, the group's total shareholders' equity increased by 15% from TZS 178 billion in 2020 to TZS 204 billion in 2021, while net debt (including lease liability has grown by 15% between 2020 and 2021. Earnings per share have also increased from TZS 1.1 billion to TZS 2.1 billion.

15.0%
Shareholders' equity
increased by 15% from TZS 178 billion in 2020 to TZS 204 billion in 2021,

Social Capital Resource

The group has maintained its brand value mainly through the maintenance of epic employee relations maintained through effective communication with employees and investors resulting in beneficial engagements with government, regulators, competitors, vendors, and tax authorities. Over the years the Bank maintained sustained support to the general community through many support community projects as per note 30 of the Directors' report. The Bank further maintained its membership and participated in many social forums such as NBAA (seminars, best presented financial statements awards ceremony), TIOB (different meetings and representations) and many others.

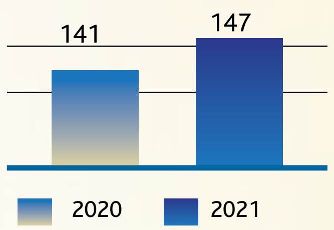
Natural Capital Resources

The environmental resources used throughout the Group's operations. We are committed to reducing our carbon footprint by remaining conscious to our materiality. During the year, the Group maintained its carbon-neutral operations which are implemented through several initiatives including volunteering to maintain different gardens in various locations including several big ones in Dar Es Salaam.

Creating Stakeholder Value

Exim Bank defines success as how the Bank makes a difference in the lives of our customers, the communities, and our shareholders. We see ourselves as an enabler of growth and a facilitator of our nation's prosperity. During the year, we made considerable contributions to society by creating value for our stakeholders illustrated below. We operated a profitable business that guarantees value to its shareholders.

Income earned from financial services (in TZS Billions)



Value added from financial services in 2021 increased to TZS 105 Billion from TZS 99 billion in 2020.

	2021	2020
Income earned from financial services	146,701	141,034
Cost incurred in provision of services	(41,442)	(41,810)
Value added from financial services	**105,259**	**99,224**
Non operating income	66,466	55,562
Other operating expenditure	(41,431)	(44,167)
Value added	**130,294**	**110,619**

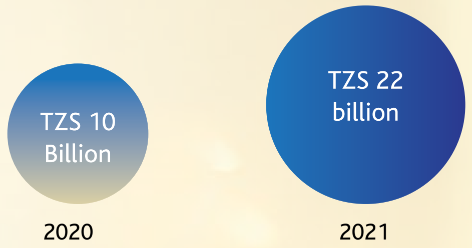
DISTRIBUTION OF VALUE ADDED

To Employees

During the 2021 FY, the Exim Bank Group paid a total of TZS 45 billion in salaries and other benefits to staff.

Exim Bank Group has a total of 937 employees and continuously invests in building their capacity to grow as individuals collectively as a team. During the 2021 FY, the Group spent a total of TZS 117 million on training.

To Shareholders

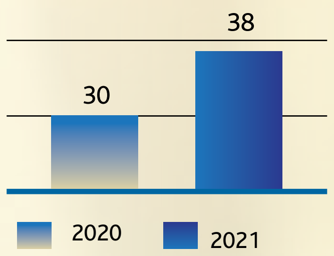


Growth in shareholding value

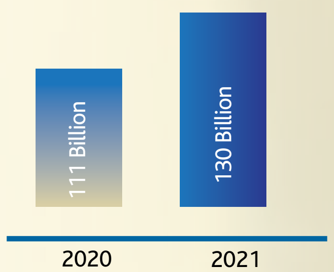
The group's total shareholders' equity increased by 15% from TZS 178 billion in 2020 to TZS 204 billion in 2021, while net debt (including lease liability has grown by 15% between 2020 and 2021.

To Government

Amount paid in taxes & levies - TZS billions



To Expansion & Growth



Distribution of value added

	2020	2021
To Employees:		
Salaries and other benefits	(45,348)	(44,235)
T Shareholders:		
Growth in shareholding value	(21,911)	(9,675)
To Government:		
Corporate Tax	(19,382)	(13,901)
PAYE	(7,158)	(7,327)
Skills & Development Levy	(1,123)	(1,244)
Excise Duty/ Service Levy & other taxes	(5,317)	(4,445)
VAT on services	(5,377)	(3,449)
Total taxes & levies	**(38,357)**	**(30,366)**
To expansion and growth		
Depreciation and deferred tax	(24,678)	(26,344)
Value distributed	**(130,294)**	**(110,619)**

How we Relate with our Stakeholders

Our ability to deliver value is dependent on the relationships that we build, and the contributions and activities of our stakeholders to the Group. We believe that today, our group is well-positioned to deliver value to all our stakeholders and fulfilling a critical role in the economies of each country that we operate in. The following is the summary of our key stakeholders and snapshot of how our group is managing each of the stakeholders.

- We have established a convenient and effective contact between us and our customers.
- We offer innovative, efficient, convenient and secure banking solutions that meet the needs of our customers.
- We have created an exceptional access to financial services and financial markets, including access to information and professional counsel.
- We have safe and reliable financial services delivery options.
- We endeavor to support the financial milestones of our esteemed customers with products and services delivered through innovatively superior channels.

- Our Group endeavors to be an attractive employer.
- We have invested in a workplace that promotes employee productivity, to help them achieve their potential.
- We have created a performance appraisal system that is fair and recognizes and rewards excellence.
- We encourage self-led development and offer equal opportunities for career progression.
- We have a dynamic career development mechanism to consistently boost capacity of our workforce.
- We also have effective communication channels to ensure alignment of our workforce.

- We strive to ensure consistent delivery of attractive and sustainable returns to shareholders' investment through optimized balance sheet.
- We continuously create an environment that fosters growth of shareholders' value. During the 2021 FY, Exim Bank Group reported total equity value of TZS 204 billion in 2021 compared to TZS 179 billion of 2020.
- We have also established a convenient and stable communication channel in line with best practices.

- We continuously endeavor to comply with all laws and regulations in the markets that we operate.
- We employ fair and ethical engagement strategies when dealing with stakeholders.
- We are a committed tax payer and endeavor to meet our obligations to external stakeholders. During the 2021 FY, tax of TZS 19 billion in respect of profit generated was paid by the Group to the respective governments of the countries in which we operate (*Refer to page 48*).

- We are committed to being a responsible citizen.
- We endeavor to support the communities by enabling access to social and environmental financing to address societal needs.
- Through our social investment activities, we have increased access to, and funding for education, health and sports related opportunities.
- We take an active role in driving financial inclusion a deepening with a view to building sustainable ecosystems.
- We have a special focus on sustainable development under the UN Sustainable Development Goals (SDGs).

Business & Sustainability

04

Our Strategy & Business Plan

We are guided by a strong value system that upholds Flexibility, Reliability, Integrity, Professionalism, and a drive for customer satisfaction to drive our mission.

- Flexibility
- Reliability
- Integrity
- Professionalism
- A drive or customer satisfaction

OUR PURPOSE

To be the bank of choice; helping customers become financially better off

OUR VISION

Remain an innovative Tanzanian Bank offering services of International standards.

We leverage our straightforward business model, a dynamic and committed workforce, and technological capabilities to create long-term value

COMPETITIVE EDGE

MEDIUM TERM	MEASURABLE OUTCOMES
Defend and grow our market share in our markets of operation	**Defend and grow our market share** • Grow income by >10% by 2023 • Increase no. of customers by 45% by 2023 • Grow deposits book by >10% by 2023 • Increase loan book by >11% by 2023
Turnaround performance in markets that are not performing optimally	**Turnaround performance** • Turnaround performance of the Uganda Subsidiary by end of 2021
• Capital Reinvestment • Business model • Digital transformation **LONG TERM ADVANTAGE** • Culture transformation • The new core banking system • Strong brand	**DRIVERS** • Business growth • customer centricity • Efficiency • Learning & Innovation
Improve offering for the retail segment	**Improve Offerings** • Revamp propositions • Improve customer experience • Establish strategic partnerships
Improve profitability and increase shareholder value	**Grow Profitability** • Sustain profitability at >10% YOY • Deposit Growth 5%-2021, 9%- 2022, 13%-2023 • Asset Growth 23%-2021, 22%- 2022, 42%-2023 • NFI Growth 27%-2021, 24%- 2022, 22%-202

Performance Scorecard (KPIs)

Corporate & Institutional Banking

Indicators	Value Drivers	KPI Units	2020	2021	% Change	2022 Outlook	Strategy	Assurance Type
Growth in Loan book	Business Growth	TZS (millions)	684.885	616,994	-10%	9.0%	RECOVER	MBO
Increase in Deposits book	Business Growth	TZS (millions)	250,250	282,471	12.9%	6.0%	GROW	MBO
Current Account Savings Account (CASA)	Business Growth	%	53%	N/A	-	5.0%	GROW	MBO
Increase in # of Customers	Customer Centricity	#	25	-	-	40%	INCREASE	MBO
Total Income	Business Growth	TZS (millions)	7,337	7, 579	3.3%	7.0%	INCREASE	MBO

Retail Banking

Indicators	Value Drivers	KPI Units	2020	2021	% Change	2022 Outlook	Strategy	Assurance Type
Total Retail Deposits	Business Growth	TZS (millions)	500,887	530,036	5.8%	9.1%	INCREASE	MBO
Gross Loans & Advances	Business Growth	TZS (millions)	45,655	56,178	23.0%	22.3%	GROW	MBO

Treasury & Global Markets

Indicators	Value Drivers	KPI Units	2020	2021	% Change	2022 Outlook	Strategy	Assurance Type
Total Retail Deposits	Customer Centricity	%	35.2%	34.6%	1.7%	32.9%	INCREASE	MBO
Gross Loans & Advances	Business Growth	%	20/80	30/70	9.1%	30/70	MAINTAIN	MBO
FX income	Business Growth	#	680	600	11.8%	600	INCREASE	MBO

Human Resources

Indicators	Value Drivers	KPI Units	2020	2021	% Change	2022 Outlook	Strategy	Assurance Type
Staff cost-to-income ratio	Efficiency	TZS (millions)	500,887	530,036	5.8%	9.1%	REDUCE	MBO
Front vs Back of staff (structure)	Efficiency	TZS (millions)	45,655	56,178	23.0%	22.3%	GROW	MBO

NA – Not available
EXTS – External Source
LA – Limited assurance
MBO – Management and Board Oversight
– Number

CFO's Reflections

> "We will stay true to our mantra of innovation and accelerate culture transformation programs to empower our workforce to deliver targeted milestones. Additionally, the Group will scale investments in improving the service infrastructure and working tools to simplify and improve SLAs and TATs."

Shani Kinswaga, Chief Financial Officer

Aftershocks from the pandemic continued to influence activity in the various sectors of the economy in 2021, even as the world continued to recover from the ravages of COVID-19. The gradual recovery in the global economy, alongside sustained efforts by regulatory authorities and governments to steady their respective operating environments, provided the much-needed thrust to restart economies around the world.

For our Group, 2021 was equally a year of recovery as we endeavoured to work closely with our customers across our markets of operation to aid their recovery. Our priority, during the year, was ensuring the stability of the enterprise and improving the quality of our assets, in line with our medium-term strategy.

Performance Overview

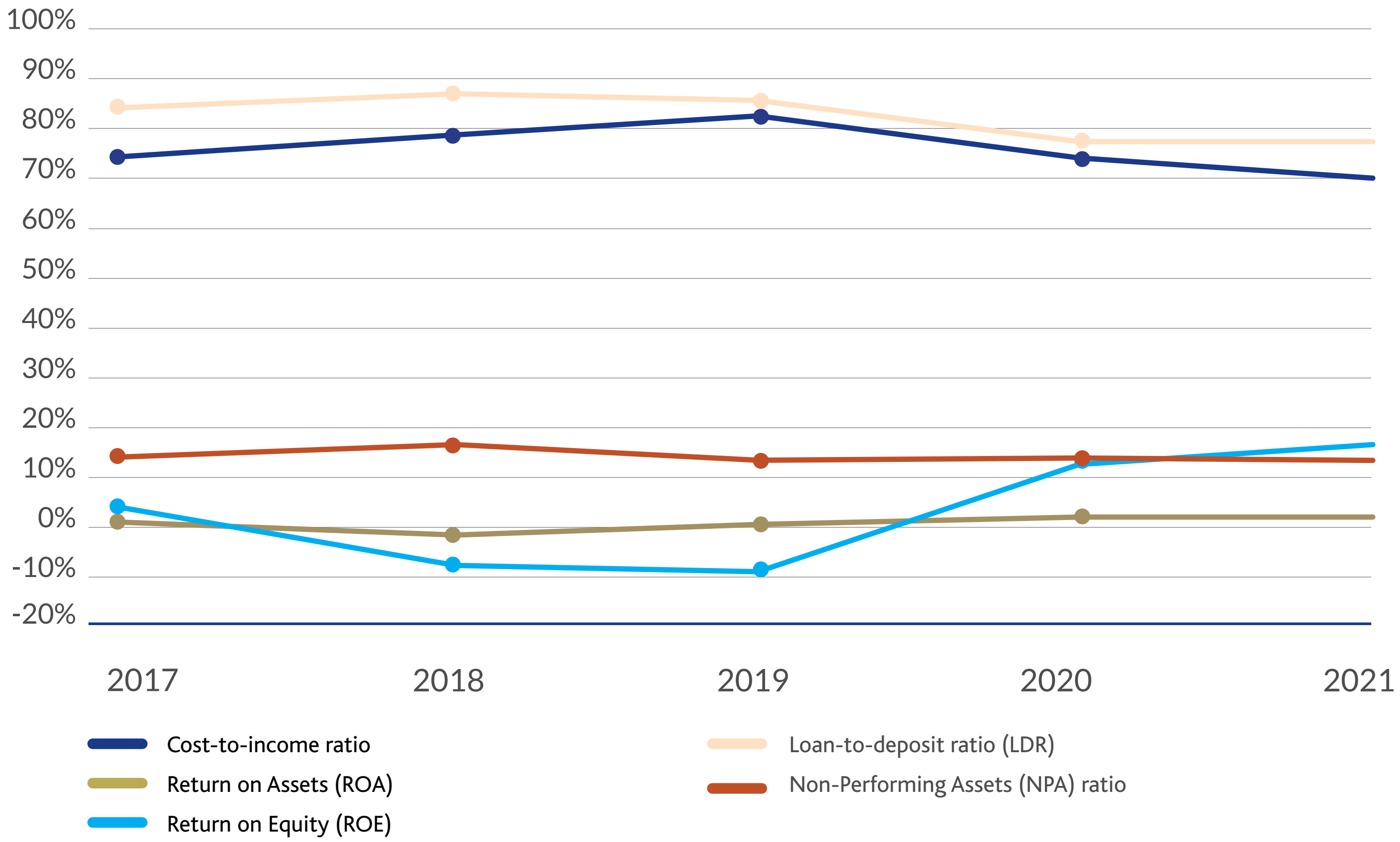
During the 2021 FY, the Group registered satisfactory top-line growth, buoyed by robust income lines and improved subsidiary activity. The Group's Profit After Tax (PAT) grew by 67.9% to TZS 26.7 billion from TZS 15.9 billion reported in 2020. The growth is attributed to an increase in both interest income, and net fees and commissions.

Subsidiaries continued to contribute positively to the Group's growth with the total contribution to profitability reaching the 50% threshold. This was especially compounded by the turnaround of the Ugandan subsidiary, which had been loss-making for some time. Our strategy to sustain this growth is to continue leveraging our strong brand, strategic partnerships and innovative products and solutions to drive growth in our markets.

During the year the Group's total assets grew by 17%, up from 10% reported in 2020; while loans and advances grew marginally by 2% compared to 15% reported in the previous year.

Summary of Key Performance Indicators

	2017	2018	2019	2020	2021
Cost-to-income ratio	76.3%	79.0%	83.0%	75.0%	70.0%
Return on Assets (ROA)	0.7%	-1.2%	0.1%	2.0%	2.0%
Return on Equity (ROE)	4.0%	-8.8%	-9.0%	12.0%	16.0%
Loan-to-deposit ratio (LDR)	84.5%	85.6%	81.9%	77.0%	78.0%
Non-Performing Assets (NPA) ratio	12.4%	13.0%	11.0%	7.0%	8.0%



Operating income

The Group's total operating income before impairment charges slowed down by -0.4% to TZS 136.4 billion from TZS 137.0 billion reported in 2020.

The slowdown is a reflection of the sluggish pace of recovery of some key economic sectors, that some of our clients operate. Net Interest income grew by 6% to TZS 105.3 billion, from TZS 99.2 billion reported in 2020; signalling stability in the Group's income structure.

Amount in TZS Billion	2021	2020	% Change
Interest Income	146.4	141.0	3.8
Interest Expense	(41.4)	(41.8)	(-3.3%)
Net Interest Income	105.3	99.2	6.0%

Balance Sheet Growth

The Group continues to make strategic investments in line with its growth ambitions. During the FY year, the balance sheet grew moderately, from TZS 1.96 trillion to TZS 2.10 trillion, representing 7.1% positive movement from the 2020 FY. The change is attributed to a growth in loans and advances, especially at the parent company.

7.1%

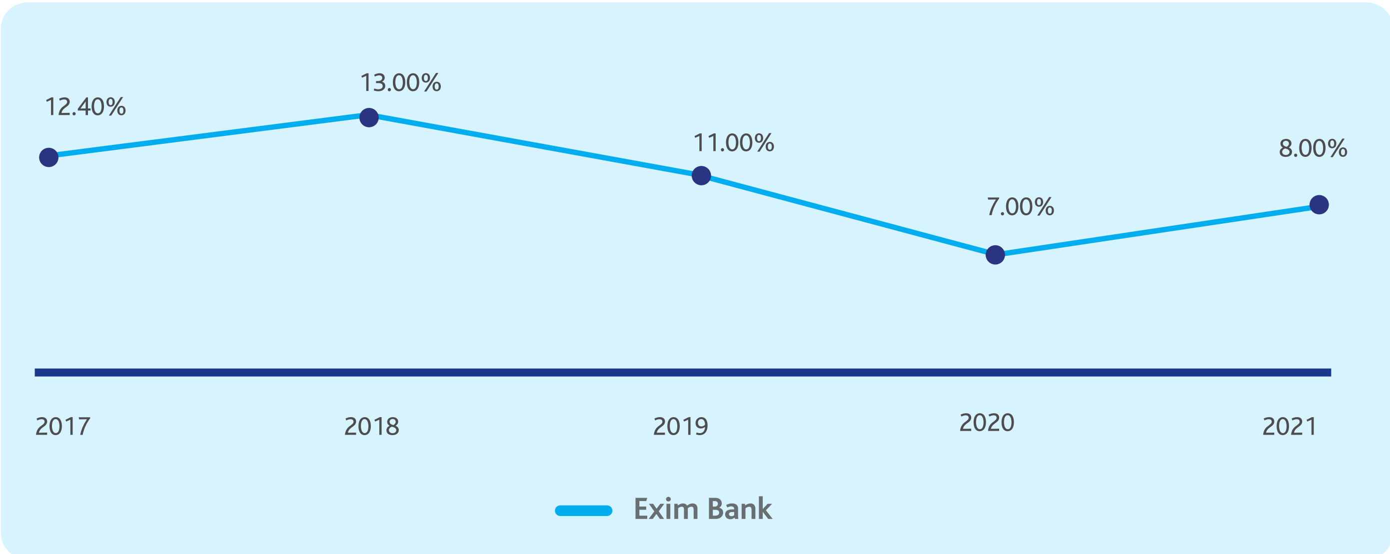
Moderate growth from
from 1.96 Trillion to
TZS 2.10 Trillion

Asset Quality

Our Group places utmost importance on maintaining a healthy portfolio to guarantee returns. Our Medium-term strategy fully addresses the gaps in our credit management processes, and has set ambitious metrics to guide the Group in improving the quality of its assets.

During the year, the Group's Non-performing Assets (NPAs) rose marginally to 8% during the year from 7% registered in 2020. The negative change was attributed to the slowdown in some of our subsidiaries, whose loan book was beset by the pandemic. The pandemic led to account downgrades due to customers' inability to meet their repayment obligations, especially in the hospitality, education, and trade sectors.

Trend of NPAs



To ensure effective management of NPAs, the Group has established a Special Asset Management (SAM), responsible for monitoring assets and administering corrective measures for delinquencies. Strategically, we are currently integrating technology in our loan origination and underwriting processes to ensure we onboard quality borrowers. In the medium term, we will automate loan monitoring using Early Warning System (EWS) to predict loan performance.

Performance Indicator	Definition/method Of calculation	2021	2020	% CHANGE
Return on Equity (ROE)	Net profit/average total equity for past two years	16%	12%	33.3%
Return on Assets	PBT/Average total Assets for the past two years	2%	2%	0.0%
Cost to Income Ratio	(Operating Expenses excluding provisions)/(Net income + non-interest income	70	75	7.1%
Gross Loans to total deposits	Total Gross loans/Total deposits	78%	77	1.3%
Shareholders' Funds	Trend (current total shareholders' funds – previous total shareholders' funds)/previous year total shareholders' funds	14%	13%	7.6%

Capital Position

The Group continued to optimize the utilization of capital, with a focus on high-yield investments and selective growth of the portfolio. Strategically, the Group endeavoured to maintain adequate capital with healthy buffers above the minimum regulatory requirements. Both the core and Total Capital ratios for the parent company (Exim Bank Tanzania) stood at 13.0% and 14.5% respectively, which is above the minimum regulatory requirement of 12.5% and 14.5% for Tier I and Tier II, respectively. Core capital for the Group closed at 11.5% while the Group's total capital was at 13.0%.

We continue to explore alternative funding sources to drive our growth in the 2022 financial year and beyond. Broadly, the group will also continue implementing strategic de-risking strategies; including replacing maturing subordinated debts and leveraging strategic partnerships, a strong brand, and market prospects to engage rated institutions for portfolio guarantees.

Future Outlook

Exim Bank Group continues to harbour strong ambitions for growth long into the future. The Group understands and appreciates the unpredictability of the market, in the context of macroeconomic factors beyond its control. Consequently, it has in place a strategy that guides its growth, with reasonable metrics that adequately enable an accurate assessment of its performance. We prioritize sustainable value creation and we are keen on ensuring that we prudentially manage the resources entrusted to us by our shareholders and serve our clients efficiently and effectively.

Conclusion

The 2022 FY year is the second year of our medium strategy (MTS 2021 -2023) and, as a Group, we are prepared to confront the challenges that may ensue along the way, and deliver strong growth against the strategy. Key strategic actions to guarantee improved performance include aligning our branch operations with the re-engineered operating model placed to fit service demands, increased productivity and enhanced controls.

We will also stay true to our mantra of innovation and accelerate culture transformation programs to empower our workforce to deliver targeted milestones. Additionally, the Group will scale investments in improving the service infrastructure and working tools to simplify and improve SLAs and TATs.

Shani Kinswaga.

Strategic Investments & Subsidiaries Management

Sumit Shekhar,
Head – Strategic Investments & Subsidiaries Management

Subsidiaries Gaining Traction

All Subsidiaries performed well contributing to Group's profitability, providing stability and diversification to overall performance; including a turnaround in Uganda operations which posted the first ever annual profits, since launching operations in 2016. We are very excited and optimistic about sustainable growth prospects in each of these subsidiaries , specifically on account of unique growth drivers offered by each of these countries. The contribution of subsidiaries both in terms of group balance sheet and profitability has been increasing year on year and outlook remains strong and sustainable.

Subsidiaries Perspective

We are the only indigenous Tanzanian Bank with three (3) overseas subsidiaries and one (1) representative office in Ethiopia. The overseas subsidiaries are present in Union of Comoros, Republic of Djibouti and Republic of Uganda. We also have a domestic subsidiary CORE Securities Ltd into ancillary banking businesses viz. stock & bond trading, advisory and insurance broking.

TANZANIA

Tanzania's economy continues to sustain growth despite the global challenges. The change in the country's political administration continues to bode well with the economy with renewed investor confidence and increased FDI inflows. The sustained public investments in infrastructure continue to provide the required thrust for the corporate and SMEs sectors.

UGANDA

Economic activity was hit by COVID-19 lockdowns in 2020 and 2021. Growth recovered to 6.0% in 2021 from a contraction of 1.5% in the previous year, lifted by household consumption and investment. Agriculture was the least affected sector; industry was supported by strong expansion in mining and construction, while manufacturing remained sluggish. Services are returning to pre-COVID-19 trends, driven by public administration and education.

DJIBOUTI

The economy began to recover in 2021 with a GDP growth of 3.9%, up from 1.2% in 2020. This pickup was supported by a revitalized services sector, which generates about three-fourths of GDP, port activities in particular. On the demand side, exports and investment remained the key factors, with an estimated contribution in 2021 of 14.6% and 4.8%. Djibouti is following an expansionary monetary policy to support economic recovery and avoid cash depletion. Credit to the economy grew 24.1% year on year through June 2021 but remains relatively low as a share of GDP. Inflation is estimated at 1.2% in 2021, higher than 0.3% in 2020, and is attributable to moderate pressure from internal demand. NPLs in the banking system remained stable at 13.3% in 2021

COMORO

The economy rebounded in 2021 with a GDP growth of 1.9%, up from 0.2% in 2020. On the supply side, it was supported by agriculture, which grew by 3.7% and which benefited from favourable weather conditions. On the demand side, it was driven by external demand — exports grew by 19.5% in 2021 after a crash of 52.4% in 2020. The central bank continued its expansionary monetary policy in 2021 by maintaining the reserve requirement rate, which it had lowered to 10% in March 2020. The rate of NPLs in the banking system remained high, at 20.3% in 2021. Inflation reached 1.4% in 2021, up from 0.9% in 2020, owing to increasing food prices resulting from supply constraints in imported goods.

Financial Performance Snapshot

	TZS Millions		
Financial Summary	Djibouti	Comoros	Uganda
Net Interest income	15,574	7,294	12,698
Non-Interest Income	8,306	13,172	8,047
Total Income	23,880	20,466	20,744
Total Operating Exp	(14,157)	(12,188)	(15,546)
Operating Profit	9,723	8,278	5,198
Net Provisions	(29)	(2,378)	(1,302)
PBT	9,694	5,900	3,897
PAT /(Loss)	7,286	3,812	3,487
Shareholders Fund	32,123	16,886	28,041
Total Assets	496,899	185,758	259,969
Deposits	413,192	151,157	190,326
Loans & Advances	232,713	78,188	134,122

	TZS Millions		
Key Indicators	Djibouti	Comoros	Uganda
NIM %	4.8%	8.4%	6.5%
Operating Cost to Income %	58.4%	59.4%	74.9%
ROE %	24.6%	25.7%	12.4%
ROA %	1.8%	2.2%	1.3%
Gross NPL%	0.35%	10.9%	6.0%
Net NPL %	0.23%	3.8%	4.7%
Tier I Capital ratio	13.9%	37.4%	11.9%

The Group Reported Improvement on the Return of Equity (ROE) in all its Subsidiaries

24.6%	25.7%	12.4%
Djibouti	Comoros	Uganda

Comoros

Exim Comoros posted an after-tax profit of TZS 3.8 billion for the year ended December 31, 2021. Total assets grew by 18.2%, while total deposits increased by 17.8% mainly due to an increase in CASA and Bank deposit portfolio. Net loans and advances increased by 11.4% owing to increased exposure to public sector undertakings and disbursement of term loans to SME customers under Government scheme. Shareholder's funds increased by 29.4% to reach TZS 16,886 Mn with accretion of current year profits.

Djibouti

The operating profit grew by 103% YOY, mainly contributed by an increase in net interest income at 49% and non-funded income of 30%. The operating cost increased by 14% in YoY on account of the new head offices. Customer deposits grew by 68% YoY while loans grew by 77%, mainly driven by government enterprises. Shareholders Fund grew by 20% YOY.

Uganda

Our Uganda subsidiary witnessed a turnaround during the year, posting a PAT of TZS 3,4 billion, from a loss of TZS 4,0 billion reported in 2020. The turnaround was mainly contributed by balance sheet optimization resulting in reduction in interest cost, reduction in non-interest expense and also increase in fees income.

Future Outlook

As a Group, we have unique demand drivers in different subsidiaries contributing to long term growth and we strive to leverage on group strength to achieve it. This adds to the strength and diversity of the enterprise. Post-pandemic, we are cautiously optimistic but very bullish on long term growth prospects in each of these countries.

In Comoros key drivers remain gold loan business and strong relationship with government being the largest bank in island including strong support from diaspora.

The Djibouti Subsidiary has well positioned itself as a new -age bank, with immense opportunities emanating from investments in Infrastructure sector and being strategically located in Red Sea as Entry Point to Ethiopian Trade, thus leading to more Trade Finance/ Collateral Finance/ Invoice Discounting businesses.

Uganda is completing the Tanzania-Uganda linkage with immense opportunity to capture the growing business in these two countries; more importantly the recent oil pipelines investments and also replicate the Tanzania success story.

Sumit Shekhar,
Head – Strategic Investments & Subsidiaries Management

Sustainability Perspective

Stanley M. Kafu
Head - Marketing & Communication

Intergrating Sustainability in our Operations

By cultivating a sustainable culture, we continue to be active in all facets of the community. For our Group, it is about reducing the negative effects of our corporate operations and mobilizing our resources for good.

Exim Bank Group is committed to promoting sustainable development across its operations. The Bank continues to invest resources toward building capabilities to drive both environmental and social sustainability, which are seen to be fundamental to its longevity.

The Group's long-term strategy recognizes the centrality of environmental, Social, and Governance principles in its growth plans and has given priority to projects that foster environmental and social sustainability. The Group finances projects and businesses that have a clear strategy of managing social and environmental resources responsibly. We apply international best practices, (including IFC Performance Standards) and adhere to international treaties and conventions, which have been ratified by the respective governments in our markets of operation.

We aspire to become a sustainability champion in the region with an enduring commitment to climate action. Our social investment strategy focuses on creating enablers of social transformation by transforming the communities.

We are conscious about how we manage our investments Exim Bank Group has a policy that guides the financing of projects that have an impact on the environment that manages their social and environmental impacts responsibly. We independently conduct Environmental and Social Impact Assessments (ESIA) based on the environmental laws in the markets of our operation

People Living with Disability

Exim Bank is committed to ensuring Persons Living With Disability (PLWD) are adequately supported both in terms of employment and access to finance. Over the past three years, the Group has focused on the baseline assessment, working with like-minded partners to assess how suitable our services are to PLWD. We have a plan to ensure that all our facilities are accessible to PLWD in the long term. Already, all our banking halls will be made accessible through ramps, lower ATMs, and counters. We are also integrating this specific user experience into the further development of our digital services.

Gender Equality

Our Group has various initiatives for gender consideration and empowerment. Over the past two years, we have continued to adopt gender mainstreaming through a comprehensive policy. We are working towards achieving gender parity in our employment, by providing equal opportunities for all genders. The Group is proud to be an equal opportunity employer – 937 employees, out of which 488 are female and 449 are male.

Conflict Resolution

Our experience operating in different markets has provided us with insights on how to deal with social conflicts. We have developed a Conflict Resolution Mechanism (CRM) that ensures smooth handling of conflicts in line with our long-term ambition to build partnerships that last. We continue to improve complaints register and case management systems to maximize transparency and accessibility of complaints from vulnerable communities and project's affected parties.

Environmental Stewardship

Exim Bank Group is an ambassador of the environment and has a strong environmental and social management system. We are committed to supporting environmental conservation and climate change action through Corporate Social Investment (CSI) initiatives that are consistent with the Sustainable Development Goals (SGDs).

Business Continuity

Exim Bank Group has robust Business Continuity Management (BCMs) structures that ensure the enterprise keeps going under any circumstances. Our BCM strategy anticipates and addresses various potential incidents including, but not limited, to supply chain failure, utility outage, and cyber incidents.

Health Cover

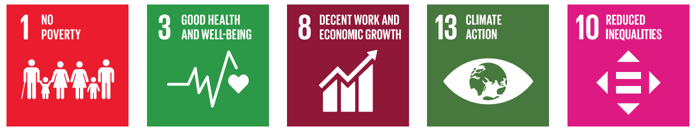
The Group provides good health and life insurance to staff, their dependents, and the public. We also take care of all matters related to human health information, including wellness programs such as cancer, pandemics, HIV, and promoting active lifestyles.

Our efforts to protect our customers and vulnerable communities from the adverse impact of climate change are demonstrated through various such as financing food security, access to clean and safe water, and WASH programs. We also conduct awareness campaigns to sensitize staff and the community on sustainable activities.

Financial inclusion

Exim understands the value of driving inclusion and is committed to furthering efforts to enhance access to financial services in its markets of operation. The Bank embraces a broad definition of financial inclusion, seeking to improve access and ensure quality and actual usage of financial products and services, including credit, insurance, payments, remittances, and savings. At Exim Bank, we're focused on making sure technology transforms financial services in a way that works for everyone.

SDGs IMPACTED:



Building Sustainable Communities

Exim Bank believes in the concept of collective prosperity. Since its establishment, years, the Group has been driven by a desire to bring positive changes to the communities through high-priority sustainable practices.

We have a broad perspective of corporate social responsibility and aspire to be a catalyst in building a better society through our Exim Cares division, the bank's social responsibility arm that addresses important social issues and builds on our commitment to **Exim At Work Today, For Tomorrow** approach which aims at working for a better tomorrow for the communities that support and surrounds us. Exim Cares' primary mission is to create platforms and initiatives in which the Group and associated partners can transform lives through our actions. Transcending the traditional approach of CSR.

Our social investment strategy, through Exim Cares, focuses on sustainable value creation as a defining factor for our business. As a Group, we believe in both social and economic transformation as prerequisites for better, sustainable lives.

Sustainability

We remain active in all quarters of the community by growing a culture of sustainability. It's about limiting the adverse impact of our business activities and mobilising our energies for good.

Our Corporate Social Investment (CSI) Policy recognises Financial Literacy, Health, Education, Environment, and Innovation as important drivers of sustainable development. These five key-result areas form critical pillars of the Bank's social investment strategy, which guides its involvement in the community.

Exim Cares initiatives are designed to address the immediate and long-term needs of the current and future generations in line with the United Nations Sustainable Development Goals (SDGs) 1, 3, 4, 5, 8, 13, 15, and 17; along with aspirations contained in the Country's Vision 2025 Development Blueprint.

Exim Cares initiatives are designed to address the immediate and long-term needs of the current and future generations in line with the United Nations Sustainable Development Goals (SDGs) 1, 3, 4, 5, 8, 13, 15, and 17; along with aspirations contained in the Country's Vision 2025 Development Blueprint.

The Prime Minister of the United Republic of Tanzania, Hon. Kassim Majaliwa, officially launching the 1,000-desk donation campaign for primary schools in Tanzania. This year-long campaign is in celebration of the 24th anniversary and road to the silver jubilee since the founding of the bank and is also part of our sustainable CSR program, Exim Cares.

Performance Against Strategy

05

Corporate & Institutional Banking

Shrikant Ganduri
Head - Corporate & Institutional Banking

Together in Times of Need

The challenges associated with the COVID-19 pandemic persisted in 2021, even as businesses implemented varied strategies to ensure recovery. The Corporate and Institutional Banking (CIB) unit worked closely with clients, seeking to understand their unique needs and develop tailored solutions to address them. Largely, the unit's strategy mirrored the Group's restorative approach, focusing on relationship building and effective monitoring of the portfolio.

Our priority was adapting to the changing environment and addressing the prevailing customer challenges in the market. The unit implemented various strategic initiatives, including pursuing strategic partnerships, driving product innovation, enhancing service delivery and portfolio quality management. To foster effective tracking of delivery, the Group categorised the initiatives under distinct thematic areas as drivers namely: business growth, product management, customer centricity, efficiency, and learning and development.
I am happy to report that we made significant achievements in these four areas as follows:

Business Growth

During the year under review, we successfully inked partnership deals with different entities e.g. the Africa Trade Insurance (ATI) in Q1, to support customers with insufficient collateral to access credit. We also introduced Cash Management Services (CMS), alongside CMA and supply chain products for our clients. The Supply Chain Finance solution is designed for corporate clients to enhance their supply chains and improve margins. The solution facilitates integration with both suppliers and buyers to provide an efficient, digital environment for the early settlement of invoices.

To support the agriculture value chain, we launched a Commodity & Warehouse Receipt Finance product - a secured lending technique that allows farmers and other commodity sellers to access loans secured by their commodities deposited in warehouses, enabling them to manage the timing of the sale of their crops and products.

We also focused on value addition through the provision of Credit Risk Advisory to the business teams as a strategic action to ensure internal alignments and efficiency.

Customer Centricity

To successfully navigate the challenging business environment, we reckon that service excellence is a prerequisite. During the year, we set ambitions to improve the service experience with a focus on quick turnaround and comprehensive KYC updates to enable personalised service. In addition, we rolled out a digital transformation program that targets to map the customer's digital journeys and empower both staff to provide support to the customer in an efficient manner. A key consideration during the year under this thematic driver was our relationship-building efforts, where we implemented Weekly, Monthly and Quarterly customer visits to learn about the challenge they are facing.

Efficiency

Effective service delivery requires efficient delivery, and this is what we set out to achieve at the start of the year. Our initiatives under this thematic area included capacity building of the team on effective coordination (understanding challenges within the team, which need to be addressed by communicating within the team).

On the other hand, we invested resources in integrating technology in our operations. During the year, we automated various banking operations to reduce income leakage e.g. Tanzania Revenue Authority (TRA) payment automation and the Risk-Adjusted Return on Capital (RAROC).

Learning & Innovation

Innovation sits at the core of our business. Each year, we invest resources towards enhancing our capabilities to innovate, learning from successful cases elsewhere. During the year under review, we invested in key training programs to build the teams' capacity in Portfolio management, credit management, proper product structuring & Trade Finance. Our long-term goal is to open communication with customers on their pain points to create better products and service.

Retail Banking

Andrew Lyimo
Head - Retail Banking

Leveraging Relationships to Navigate Challenges

The world is rapidly changing, as shaped by many factors including technology and the global pandemic. Increasingly, consumer needs are evolving, while priorities keep changing. Evidently, the business landscape is constantly shifting, and, therefore, success is only possible when one can adapt and create relevance. Creating relevance in the lives of our customers; remained our priority in 2021, driven by the desire to serve with distinction.

This desire, and the inherent drive to help customers become financially better off is what informed our retail strategy during the year. We set off with clarity of purpose, engaging our customers on their pain points, in the context of the pandemic challenges. The strategy paid off, enabling the achievement of the goals for the year.

In line with the Group's restorative approach, we tracked our delivery of the strategy along four thematic areas, identified as strategic drivers. The thematic areas include:- business growth, customer centricity, efficiency and learning, and Innovation.

Business Growth

Coming from a depressed period, the priority for the retail banking unit was to explore opportunities in key sectors of the economy, especially those that were on a recovery path. The sectors in focus included trade, Tourism & hospitality, manufacturing, Construction, Professional Services, Agriculture inputs, and Institutions (Schools & NGOs).

Strategically, we focused on leveraging the CIB value chain, especially around the onboarding of corporate customer distributors/Vendors/suppliers. The value chains provided a unique opportunity for cross-selling loan products to existing deposit customers. We also explored opportunities around the provision of payment solutions and other payment and collection solutions (e.g school solutions), to tap transaction balances.

Tapping into our deep regional experience, we invested considerable resources in developing regional propositions to cater to regional seasonal economic activities. We have a special focus on our markets of operations in Uganda, Comoros, Djibouti, and the larger East African Community (EAC).

As a Group, we remain conscious of the reality that for us to make a meaningful impact, we will need strategic partners, who share our values to deepen our services both within Tanzania and in our international markets. During the year, we reached out to various partners including IFC, EIB, TADB, and PASS for technical assistance, especially in capacity building and training for RMs and BMs.

The SME sector received considerable attention during the year as we revamped the SME Product Program and streamlined credit processes to increase turn around time. We are intent on driving Trade Finance offering to SME customers, leveraging our existing corporate customer value chain.

During the year, we received approval to implement an agency network that will help tap deposits in high-activity areas that are outside our coverage. In line with our focus to increase our Retail customer share, we have embarked on a project to implement a retail loan management system to facilitate personal lending to both civil servants and private sector employees.

Customer Centricity

Customer focus has been our idea of service as a business unit. Reflecting on the challenges that came with the pandemic, I am happy to report that we have made commendable progress in responding to customer needs, and creating long-term relevance. During the 2021 FY, we focused on revamping our digital capabilities & self-services, increased customer engagements, and invested in gaining a deeper understanding of our customer behaviors.

But, perhaps, the biggest success was the expansion of our value-added services (VAS) and the acceleration of our speed to market. We also improved TAT on card issuance and built a framework for customer recognition.

Learning & Innovation

Our investment in understanding customer behavior has shaped our medium-term priorities in terms of solutions that we have in the pipeline. We have prioritized the enhancement of digital Payment Solutions, remittance Solutions, and expansion of the Merchant Payments Options.

During the 2021 financial year, we augmented our Self-service options through the GREEN PIN, a paperless initiative to facilitate card pin change, enhanced our IVR (Interactive Voice Response) services to facilitate self-service card activation, password reset, increasing ecommerce limits and card blocking/unblocking. Exim Bank was among the lead banks to participate in the TIPS project which allows the remittance of funds within Banks and Mobile network operators' wallets. We also invested in Merchant Campaign programs to boost digital usage and drive customer loyalty.

Credit

Zainab Nungu
Head - Credit

Sustaining a Quality Portfolio

The last two years have been challenging for most businesses, especially in the wake of the COVID 19 disruptions. The financial services sector continues to play a pivotal role in stabilising the economy, by facilitating the recovery of the sectors, consistent with the gradual recovery in the global economy.

During the year under review, we prioritized supporting our clients in understanding the diversity of the challenges. Principally, we tuned our focus on portfolio quality management while supporting the business units in delivering efficient services to our clients.

Our metrics were categorised under four thematic areas conceptualised in the MTS 2021 - 2023 as drivers - business growth, customer centricity, efficiency and learning and Innovation.

Business Growth

The 2021 FY presented unique opportunities for Exim Bank Group to grow its business, leveraging the essential value chains within the economy. Our credit strategy sought to leverage the Corporate and Institutional Banking focus, to penetrate sectors including agriculture, industrial specialization and commodity trade.

To accelerate the growth, we revamped the retail and SME lending, and introduced Insurance Premium Financing (IPF) solution. We are also in the process of introducing a Scheme Lending Solution, targeting salaried workers in both the public and private sectors. Strategically, we reviewed our pricing model, integrating risk consideration in our loan pricing for efficient growth

Customer Centricity

Understanding the complexities of a crisis, we started the year focusing on ensuring our customers were adequately supported throughout the crisis period. Our priority was to retain existing customers and attract new ones. During the year, we made strategic improvements in our credit origination and underwriting processes to improve TAT, which in turn enhanced the experience of our customers. We also focused on value addition through the provision of Credit Risk Advisory to the business teams as a strategic action to ensure internal alignments and efficiency.

Efficiency

Courtesy of the sustained efforts to simplify processes, the Group witnessed an improvement in customer satisfaction with credit services during the year, pointing to the success of the MTS 2021 - 2023 strategy, which underscored efficiency as a key investment area. The latter was confirmed by an increase in the number of customers and the satisfaction of the retained customer.

We leveraged the digital transformation program to automate critical credit processes, especially around loan origination and underwriting, and simplified many back-end processes to improve the turnaround. We will continue to invest in technology and leverage the new Core Banking System to ensure high efficacy.

Learning and Innovation

Our Group considers learning and innovation as non-negotiables in our growth strategy. During the year, we continued to invest resources in the Individual Training needs assessment for Credit staff and identified programs to address the gaps in knowledge, especially in the wake of the changes in the market. In addition, we instituted internal frameworks to drive engagements, allowing staff to think and voice their opinions openly and freely.

Special Asset Management (SAM)

Queen Siraki
Head - Special Asset Management

Addressing The Non-Performing Loans Stock

Non-performing Loans (NPL) management requires a systematic, focused, and practical approach. The reason why the bank recoiled the Special Assets Management Department (SAM) which is a 'loan workout' department disjoined from Credit Department where it was formally referred as "Credit Recovery Unit". The aim is to address the NPL stock and develop comprehensive strategic plans targeting objective efforts and appropriateness of different workout strategies to preserve value. The developed workout strategies have so far helped in defining potential loss, expected recoveries, recovery options, learnt lessons, and expected timelines and milestones for each portfolio segment and material loan position. The impact of Covid -19 led to a sharp rise of Non-Performing loans, accelerating and exposing most of the bank assets to risk. In this, SAM department significantly and tirelessly maximized its strategies on NPL management activities by applying innovative loan work-out strategies and adjusting them to best fit the situation. The key focus for the department was to mitigate the hit in asset quality by designing workout stimulus measures such as debt restructuring and rehabilitation to support struggling businesses and those that were on the risk of failure. Vide recovery, that bank has put significant resources and efforts into action in identifying, categorizing, and provisioning NPLs more rigorously; improving and standardizing work-out and legal enforcement processes and aligning business with regulatory requirement.

Customer Growth

As the Covid 19 pandemic unfolded, the concern was palpable and the risk to our bank assets escalated. Its effects continued to cascade through 2021 with extensive and big impacts which made Special Assets Management harried and anxious. However, vide the mending and recovery from the pandemic, the department took a firm look at the assets of bank borrowers through exceptional workout lens and identified red flags on assets with general operational and structural problems so as to establish timely and appropriate measures through initiation of rehabilitation, collection and recovery. Importantly, this helped to co- ordinate and control the management of all 'special assets' to minimize nonperformance, prevent losses, maximize recoveries in an efficient and cost-effective manner, restore profits and improve the bank's capital position.

Customer Centric.

The preliminary objective and approach of SAM department is to rehabilitate, turnaround and amicably settle with borrowers with troubled assets rather than liquidating in order to retain and maintain the relationship established over time. The purpose is to help clients to effectively and efficiently manage their repayments across their loan cycles. SAM department in this aspect, uses all the amicable resolution options which may include maturity extension, arrears/interest capitalization, step up payment, additional financing, loan splitting and loan conversion. But where the loan is highly distressed and the bank is exposed, the bank employs the endowed rights under the law and the remedies present in the loan agreement that renders access to push the right buttons timely to maximize recovery without jeopardizing the relationship. The priority here is to quickly whittle down the asset exposure.

Efficiency

The bank is best served when departments collaborate for a common goal. This is to say that SAM cannot work alone in its workout strategies without a conjoined business support. There is thus a cross- pollination between SAM, Business Departments, Credit department and other departments which strengthen credit skills, improve the lending aspects, expands workout understanding, mitigate risk and enhances customer management skills.

Henceforth, in upholding the best lending strategy and risk mitigation, SAM personnels are at times strategically included in all aspects of the lending relationship and not just when the loan defaults or assets fall apart so as to edify the business team in exposed perils, avoiding risk and stem potential losses to the bank. More often, given the experience and history in resolving distressed assets, an experienced workout personnel has innate ability to project the downside of an asset/deal and may further uncover the nature of the potential collateral and collectability in case of a workout scenario.

Moreover, SAM in the execution of its work out strategies, partners with various external service providers in the names of debt collectors, auctioneers, receiver & managers, lawyers, valuation surveyors, estate agents, accounts and surveyors, land surveyors, government authorities as well as the judicial system to ensure appropriate measures/options and strategies are met order to attain the bank's corporate objective of maximizing recovery.

Treasury & Global Markets

Mubezi Brian Lwakabare
Ag. Head - Treasury & Global Markets

Prudent Capital Management

In times of crisis, capital management is a critical consideration for the financial services sector, especially in the context of the financial risks associated with it. This is the understanding that Treasury & Global Markets department, relied upon while embarking on the 2021 financial year. The unpredictability of the market, coupled with the widespread crunch in liquidity required an adaptive strategy.

Leveraging the Group's strategic perspective, the Treasury and Global markets business delivered strong and stable earnings in 2021, leveraging opportunities available both locally and globally.

During the year, we focused on supporting our customers by innovating value-adding solutions and services, to simplify their banking experience. We had a particular emphasis on the development of new products, access to new markets, and digitization of treasury processes. In line with the Group's strategic approach, we tracked our delivery along four thematic areas that had been identified as drivers of the MTS - 2021- 2023. The areas are business growth, customer centricity, efficiency and learning and Innovation.

Business Growth

The MTS 2021-2023 acknowledges the centrality of innovation across the Group's business operations. The Treasury & Global Markets department embarked on the 2021 FY with clear goals to consolidate opportunities around brokerage, explore opportunities within the commodities export business and expand market presence in the Group's markets of operation. Key successes during the year included the acquisition of the brokerage license, which enabled cost savings by avoiding commissions from external brokers.

Regarding capital management, the department focused on developing alternative funding to moderate balance sheet utilization and increased the scope of products. During the year, the department utilized SWAPS and Repurchase Agreements (REPOS).

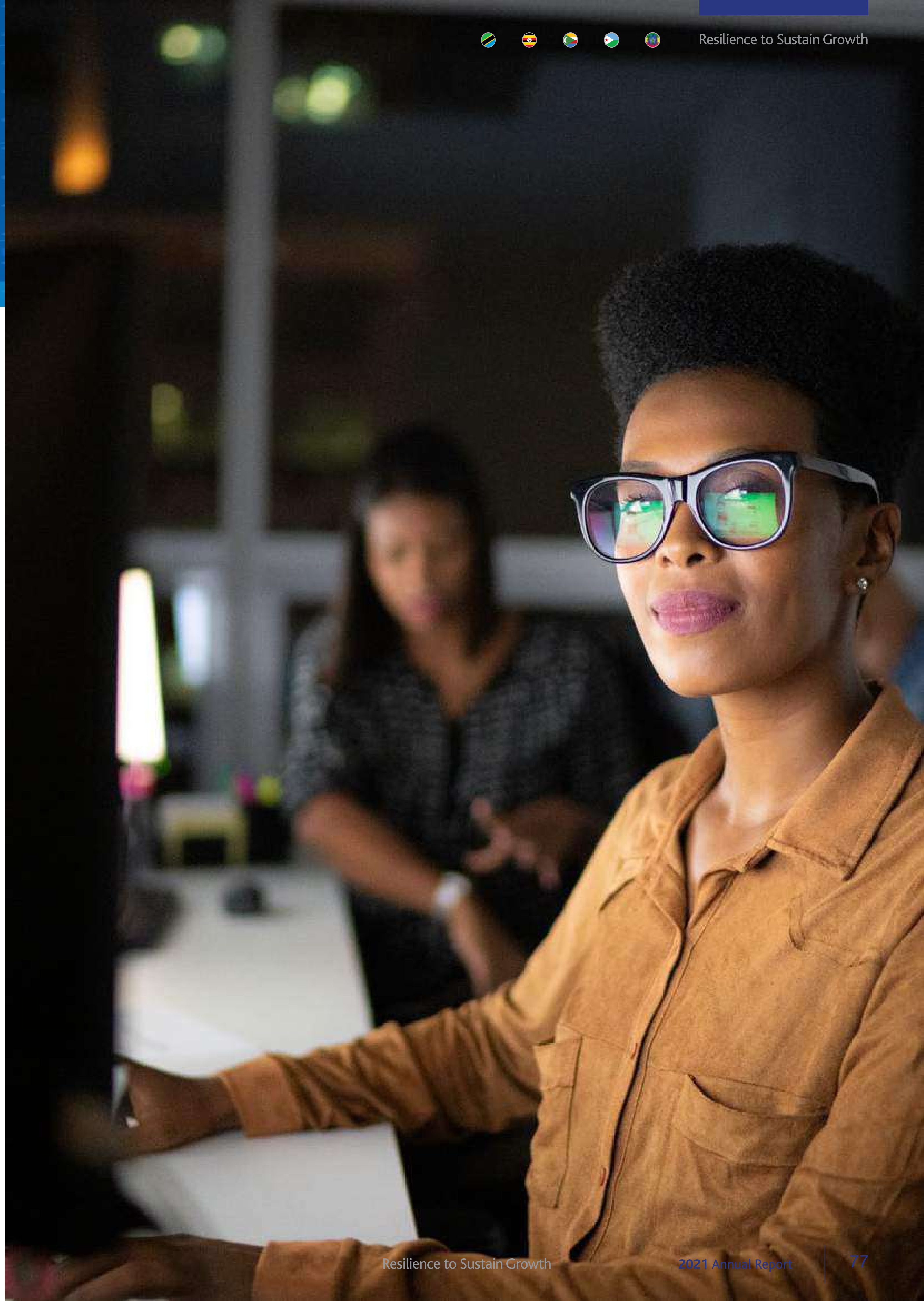
Customer Centricity

To ensure the achievement of goals in terms of creating value addition for our customers, we invested substantial resources in establishing relationships with non-banking financial institutions in the East African region capitalizing on bond trading opportunities and regular communications and physical visits to subsidiaries.

Efficiency

Key initiatives undertaken during the year include the automation of FX pricing offering 24hrs, 5 days a week and the full utilization of the newly relaunched FOREXIM platform. To drive efficiency in portfolio management, we restructured the department, creating a primary segregated individual portfolio. We also conducted capacity building for teams at the branch level, alongside adequate resourcing.

Going into 2022, the department will continue to monitor financial market conditions both domestically and globally and exploit any business opportunities while tracking global policy uncertainties, geopolitical risks, global growth outlook, and domestic macroeconomic conditions as they evolve. In addition, we will continue to focus on building strategic business relationships with local and foreign stakeholders to enhance the capabilities of the bank while streamlining its processes through the usage of more efficient technology.



Human Resources

Frederick F. Kanga
Head - Human Resources

Our People are at the Centre of Our Growth Strategy

The Exim Bank Group places the highest premium on its people, who are the heart of its operations. We believe that having employees with appropriate skills and experience in running the business is a key ingredient for our long-term success. Over the years, we have continued to invest in creating an enabling environment for our employees to excel, both individually and collectively. We believe that by doing so, we can create an impact not only in the lives of our people but also in society.

A key consideration in the MTS 2021 - 2023 is employee engagement, which we see as a critical driver of long-term sustainable value. Our people's thoughts and feelings about their work correlate with how satisfied our clients are and; indicate how successful we are likely to be in accelerating our strategy to achieve higher growth and efficiency, while retaining the trust our stakeholders have in the Group.

During the 2021 FY year, the Group continued to monitor the delivery of strategy using four thematic areas earmarked as the drivers of achievement of the ambitions laid out in MTS 2021 – 2023: - business growth, customer centricity, efficiency, and learning and innovation.

Business Growth

Emerging from the pervasive disruptions associated with the pandemic, the Exim Bank Group, like other companies around the world, prioritized business recovery while keeping close attention to the strategic ambitions and targets for the year. The main priorities under this theme were staff cost management, successful participation in technology change; achieving a cost-efficient structure, and managing the workforce across our operations, effectively. The aim was to ensure the Group Operates with the optimal number of staff and can deliver on its goals.

Customer Centricity

In line with our long-term people strategy, we continued to implement initiatives geared towards creating an enabling environment for the growth of our people. Considerable focus was placed on enhancing Employee Engagement, increasing turnaround time, and creating value through the regular branch and departmental meetings.

During the year, the Group Performed Employee Satisfaction Surveys (ESS) and embarked on an Service Level Agreeement (SLA) Sensitization Program targeting all stakeholders to drive buy-in and obtain support. We also adopted quarterly staff meetings as a platform to share groupwide progress and success stories, as a way of motivating and engaging staff.

We continue to encourage open and honest communication in decision making across our operations. Employment issues, as well as financial and economic factors affecting the Group's performance, are regularly shared with the employees.

Efficiency

The MTS 2021-2023 acknowledges the need to drive the productivity of staff. This received considerable attention throughout the financial year, as the Group continued to optimize operations to respond to the changes in the market. Specifically, we revamped the Performance Management System and implemented frameworks for monitoring individual employee and departmental productivity. We also adopted new technologies and embarked on groupwide integrations to drive efficiency

The last two years have taught us the importance of being resilient to navigate the ever-increasing challenges and adapt to the constantly changing business landscape. The MTS 2021- 2023 has explicitly provided a road map to achieving excellence in people matters. It has mapped out some milestones towards achieving success, including mindset change, creating a learning culture, multi-skilling for business continuity and fostering diversity and inclusion.

Success for the Group will reflect in the ability to bring employees' shift in mindset to embrace performance, stay business focused and adopt a culture of flexibility.

	Target Group/Dept	Training Program	Organizers/Mode of Delivery	Participants
1	Treasury & Global Markets	Securities Industries Certification	CMSA	3
2	Retail Bank	Bancassurance - Certificate of Proficiency	External	31
3	Corporate Banking	Agricultural Value Chain Financing Management	E- Learning– Elite Space International	2
4	Project	Project Management Professional Certification	External - PMI	2
5	CIB, Credit, OPS	Project Management Professional Certification	External - TIOB	20
6	Credit	Credit Analysis and Loan Management	External - TIOB	1
7	Credit	Lending to SME training	External - TIOB	2
8	Finance and Audit	IFRS and Tax	External - Claritas training	25

Risk Management

Innocent Mbelwa,
Head - Risk & Compliance

Strengthening our Risk Culture and Practices

With shifting customer preferences and technology leaps in the last couple of years, we have witnessed a new cycle of transformation of the banking sector. Unlike in the past where transformation was slow and mostly regulatory driven, the latest wave of change has ushered in innovations at a pace and scale never seen before. The opportunities brought about by these changes have generated a new set of risks such as cybersecurity, information security and climate risks that have redefined our risk management approach. In the last three years we have seen our risk management practice evolve from individual to enterprise-wide risk management. We are proud that we have adopted an approach that is consistent with global practice, international standards and encompasses recommendations of the Basel committee and all our regulators.

Our primary role is to ensure all activities in the bank including new businesses or ventures are carried out in line with the bank's risk appetite and governance framework. The risk appetite is designed to ensure all executive decisions adequately and effectively optimize the risk-reward trade-off. Consequently, our risk appetite statement is crafted in a simple and straight forward language that our staff and stakeholders can easily assimilate. The risk appetite statement and the risk appetite framework are reviewed and approved by the Board annually to ensure they remain relevant and consistent with the changing business landscape. The risk appetite is defined in four broad categories:

Appetites

No appetite

The bank is not willing to accept risk in any situation that may result in loss in service/ operation, long term profitability of the bank being compromised, massive impact on the bank's reputation with stakeholders, excessive increase in costs, major breakdown in information system or information integrity, significant incident (s) of regulatory non-compliance. Any item marked with a 1 should have positive controls in place to ensure that the risk does not materialize.

Low

The bank is not willing to accept risk in most circumstances that may result in loss in service/ operation, the long-term profitability of the bank being compromised, massive impact on the bank's reputation with stakeholders, excessive increase in costs, major breakdown in information system or information integrity, significant incident (s) of regulatory non-compliance.

Moderate

The bank is willing to accept some risk in certain circumstances that may result in loss in service/operation, the long-term profitability of the bank being compromised, massive impact on the bank's reputation with stakeholders, excessive increase in costs, major breakdown in information system or information integrity, significant incident (s) of regulatory non-compliance.

High

The bank is willing to accept a high risk of loss in service/ operation, the long profitability of the bank being compromised, massive impact on the bank's reputation with stakeholders, excessive increase in costs, major breakdown in information system or information integrity, significant incident (s) of regulatory non-compliance.

In broad terms, our risk appetite states that:

The bank has a Low appetite for threats to the effective and efficient delivery of strategic initiatives. It recognizes that the actual or perceived inability to deliver strategic initiatives could have a significant impact on its ability to achieve its objectives as well as its reputation.

The bank has **Low** appetite for credit risk. The bank manages this risk carefully by applying a strict set of criteria in extending credit, confining its dealings to customers of high creditworthiness and ensuring exposures to counterparties are appropriately secured.

The bank has **Low** appetite for market risks due to some discretion over the risk it assumes arising from its strategy. The bank seeks to manage market risk ex ante in a conservative manner, considering expected returns, the external environment, and developments more generally in the bank's balance sheet.

The bank has **Low** appetite for capital risk and therefore seeks to mitigate this risk by maintaining a strong risk-based capital position that supports balance sheet growth and allows for variations in the medium term to account for natural variation in the business cycles. The bank deploys risk-based assessment approaches, including stress testing to determine capital needs and compliance with minimum capital requirements.

The bank has **Low** appetite for Liquidity risk, and it is therefore managed by ensuring that the investment portfolio is invested in instruments for which deep and active markets exist and ensuring operating limits to liquidity risk exposures exist. This is implemented by diversifying borrowings in terms of currencies, maturities, sources, limiting investments to pre-approved higher- quality asset classes and by applying maximum issue-level limits.

The bank has a **Low** appetite for operational risks materializing. Operational risks rated Major and higher require mitigation unless the risk is accepted by the Board for which a rationale must be provided and documented. Risk rated Minor require mitigation if possible or are to be accepted by management committee only.

The bank has **No** appetite for deliberate or purposeful violations of legislative or regulatory requirement. The bank is committed to a high level of compliance with relevant legislation, regulation as well as internal policies and sound corporate governance principles. Identified breaches of compliance will be remedied as soon as practicable.

Enterprise Risk Management

The Enterprise Risk Management Framework (ERMF) governs the way in which the bank identifies and manages its risks. It is based upon internally and externally verified best practice and experience, combined with implementation of regulatory requirements such as the Risk Management Guidelines for Banks and Financial Institutions issued by the Bank of Tanzania and ISO 31000.

The Enterprise Risk Management Framework approach to managing risk therefore provides the basis for setting frameworks. policies and procedures as well as establishing appropriate risk practices throughout the bank. Furthermore, it defines the risk management process and sets out activities, tools, techniques and organizational arrangements to ensure that material risks critical processes can be identified and managed. It ensures that appropriate responses are in place to protect the bank and its stakeholders, whilst enabling the organizational design and business strategy of the bank. The Enterprise Risk Management Framework designates the following risk types as primary risk categories and assigns clear ownership and responsibility for their management:

Principal Risks	Definition	Owner
Strategic Risk	The risk of current and prospective impact on income, capital and reputation of the bank arising from poor business decisions, improper implementation of decisions or lack of response to industry or technological changes. The risk is a function of the compatibility of the bank's strategic goals, business strategy supporting achievement of the goals, resources deployed to achieve these goals and quality of implementation.	Chief Executive Officer
Credit Risk	The risk of loss arising from the failure of customers or counterparties to fully honour their obligations. This includes timely and full payment of the principle, interest, collateral and other receivables.	Head, Credit
Capital Risk	The risk that the bank has an insufficient level or composition of capital to support its normal business operations as well as to meet regulatory capital requirements under normal operating conditions (both actual and as defined for internal planning or regulatory testing purposes).	Chief Financial Officer
Liquidity Risk	The risk that the bank is unable to meet its contractual or contingent obligations or that it doesn't have the appropriate amount, tenor and composition of funding and liquidity to support its assets.	Head, Treasury
Market Risk	The risk of loss arising from potential adverse changes in the value of the bank's assets and liabilities due to fluctuations in market variables including but not limited to interest rates, currency exchange rates, credit spreads, equity prices, commodity prices, implied volatilities and asset correlations.	Head, Treasury
Operational Risk	The risk of loss arising from inadequate or failed processes or systems, people or due to external events where the root cause is not due to credit or market risks.	Head, Business Operations & Service Delivery
Compliance Risk	The risk to risk of current or prospective impact to income, capital. Reputation arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards as well as incorrect interpretation of relevant laws and regulations.	Head, Risk & Compliance

The risk owner is required to demonstrate accountability by ensuring that risks are identified, assessed, measured, reported and monitored as well as ensuring that Management Information System (MIS) are in place to track the risk. All employees are required to be familiar with risk management policies relevant to their responsibilities.

Our risk management aims to safeguard the Group's solvency by maintaining high asset quality, effective operations, and prudent capital management, which results in sustained earnings that increase core capital, enable regulatory compliance, improve market reputation, and win the support of stakeholders.

We strive to make sure our risk management framework adds value and advances the goals of the Group by continuously reviewing our systems and processes. Also, our governance strategically incorporates risk management as a component of our planning procedures at both the operational and strategic levels.

Throughout Exim Bank Group, decisions are governed by the risk management framework enabling prioritization and optimization of choice to limit losses and maximize profitability.

What we consider in our Risk Management

Experience has shown us that to properly manage risk, we must make adequately consider and comprehend pertinent information. However, we must be aware that any information may have some restrictions. Our risk management framework directs us in deciding how the risk management process is informed by all available information, taking into account the operational environment (internally and externally).

We also recognize how important cultural and human variables are to risk management. This framework acknowledges the role that culture and people play in attaining the corporate goals of the Group. As a result, we regularly speak with internal and external stakeholders throughout the risk management process, understanding that dialogue and engagement are essential to detecting, deciphering, and managing risk.

Risk management is a Culture at Exim Bank

We recognize that controlling risk requires flexibility, that is why we put focus on dynamism. We operate in a challenging environment, thus to survive, it is necessary to uphold a culture of constantly seeking new challenges and consistently managing potential threats. The Exim Bank Group strives to enhance risk management culture through regular awareness programs and campaigns to empower its resources across all the lines of defense.

Governance

The Board has the overall responsibility for establishment and oversight of the ERMF. The Board develops the risk appetite and risk tolerance limits appropriate to the Bank's strategy. The Board is responsible for ensuring that management maintain an appropriate system of internal controls that ensures effective and efficient operations, internal financial controls, compliance with laws and regulations and incorporates combined assurance. The Board is also responsible for ensuring that management maintains an effective risk management and oversight process. The Board delegates risk management responsibilities to the following committees:

- Board Risk Management Committee (BRMC).
- Board Credit Committee (BCC).
- Board Audit Committee (BAC).
- Board Executive Committee (EXCOM)

Board committees have non-executive members and report regularly to the Board on their activities.

Board committees have entrusted the day to day risk management responsibilities to management level committees. Management level committee comprise of:

- Management Committee (MANCOM).
- Assets And Liabilities Committee (ALCO).
- Risk Management Committee (RMC).
- Management Credit Committee (MCC).

Both board and management level committees have individual terms of reference which articulate their roles and responsibilities together with escalation criteria and reporting requirements

Lines of Defense

Our risk management process is based on the three lines of defense approach which ensures clear segregation of duties across the three lines. The core responsibilities of the individual lines is highlighted below:

1st Line of Defence:

- Establish and operate proper governance.
- Implement policies and procedures.
- Propose and agree risk appetite and supporting limits with 2Line of Defence (LoD).
- Identify and manage risks in the activities and critical processes in which they are engaged in line with the approved appetite and agreed limits.

2nd Line of Defence:

- Framework and Policy development and conformance.
- Independent review and challenge of business area risk appetite, underlying limits and profiles
- Operate as centers of excellence for specified risk types.
- Primary responsibility for managing regulatory relationships for Risk and overseeing delivery of commitments.
- Establish and operate proper governance.

3rd Line of Defence:

- Internal Audit provides independent assurance to the Board and Management over the effectiveness of governance, risk management and control over current, systematic and evolving risks.The focus of Internal Audit is on critical processes.
- External Audit provides assurance over Financial Reporting and related risks.

Ethics & Governance

06

How we are Governed

The Exim Bank Board structure comprises of eight (8) non-executive Directors including the Board Chairman. The board of directors offers leadership and strategic direction to protect stakeholder value creation within a framework of responsible and efficient management. As a result, risk can be evaluated and managed to promote long-term sustainability and growth. The board is ultimately accountable and in charge of the company's operations and business affairs. It also makes sure that the organization upholds high standards of ethical conduct.

The board committees help the board carry out its obligations and duties. Each board committee has explicit written terms of reference that are formally reviewed yearly and that effectively delegate some of the board's duties. In order to effectively cover and maintain control over the group's operations, the board keeps an eye on these duties.

Sub-committees

During the year, the Board had the following board sub-committees to ensure a high standard of corporate governance throughout the year.

- Board Credit Committee (BCC)
- Board Risk Management Committee (BRMC)
- Board Audit Committee (BAC)
- Board Executive Committee (EXCOM)

I

Board Credit Committee (BCC)

The Credit Committee of the board seeks to ensure that the quality of the 's asset book remains within acceptable parameters and that the business has an effective credit policy, consistent with regulatory requirements and prudent risk management practices including appraisals and credit impairment adequacy.

This committee is comprised of the following members.

Name	Position
Ms. Irene Mlola	Chairperson
Mr. Shaffin Jamal	Member
Mr. Sherazam Mazari	Member

II

Board Risk Management Committee (BRMC)

The committee oversees and advises on current and potential risk exposures of the Group, the enterprise Risk Management Framework, risk appetite, risk strategy, including strategy for capital and liquidity management and promoting a risk awareness culture across the Group, alongside established policies, and procedures. The committee met four (4) times during the year

This committee is comprised of the following members.

Name	Position
Mr. Thomas Wescott	Chairperson
Mr. Hanif Jaffer	Member
Mr. Kalpesh Mehta	Member

III

Board Credit Committee (BAC)

The Audit Committee is responsible for overseeing the financial reporting process, ensuring that internal control systems are adequate and effective. The committee is responsible for among other things to review audit plans both internal and external auditors and communicate areas of concern or improvements, review of the management report letters from auditors concerning areas of improvements and deviations in accounting and operating controls also obtaining assurance from external auditors that adequate accounting records are maintained through review of policies, practices and implementation of all reporting proposed changes, review of effectiveness of financial management of the Bank and group, capital and other regulatory compliances, review of independence and objectivity of external auditors in line with the requirements of regulatory frameworks and best practices. It is also responsible for establishment of the framework for reporting unethical practices and monitor effectiveness of the whistle-blowing process. The committee met four (4) times during the year.

This committee is comprised of the following members.

Name	Position
Mr. Kalpesh Mehta	Chairperson
Mr. Hanif Jaffer	Member
Mr. Thomas Wescott	Member

IV

Board Executive Committee (EXCOM)

The Executive Committee, among other duties, is responsible for the wholesome policy development for the Bank and Group; both through scheduled and ad-hoc basis. It oversees implementation policy while acting as a liaison for the main Board in decision making and function as a collaboration outlet. This is placed to fill specific gaps in the decision-making process which is critical to governance best practices. The committee met five (5) times during the year.

This committee is comprised of the following members.

Name	Position
Mr. Yogesh Manek	Chairperson
Mr. Shaffin Jamal	Member
Mr. Hanif Jaffer	Member
Ambassador Juma V. Mwapachu	Member
Mr. Sherazam Mazari	Member

Board Diversity

Exim Bank is dedicated to fostering diversity on the board, and we prioritize diversity and inclusion when choosing new board members. As we continue to accomplish our diversity goals for board representation, we work toward a board that has the necessary qualities and closely matches the demographics in our markets. This is due to our conviction that board diversity is critical for organizations to remain relevant and viable in a society that is rapidly changing. The board continuity program includes Exim Bank's policy on the support of racial and gender diversity at the board level.

Balance of knowledge, skills, and experience

For value assurance and creation in the best interests of all stakeholders, banks and financial services organizations require a wide range of capabilities. The board decides on the necessary talent mix in response to the environment's rapid change and adjustments to Exim Bank's own long-term strategy. The board will be well-positioned to direct and drive the bank's strategy into the future and consequently create value if the right combination of talents and expertise is present. We have developed and improved our board's skills and experience over the last three years in order to be ready for our expansion. To stay abreast of developments and trends, directors frequently attend seminars, conferences, and training sessions.

Our Ethics & Code of Conduct

Our Code of Ethics and Conduct establishes our business practices, which are driven by performance with responsibility, and outlines our commitment to long-term success. The Code intends to assist our Group in upholding our duties, treating one another with respect at work, and conducting ourselves honestly in the marketplace.

In principle, the code brings the Exim Bank Group collectively under a set of principles that direct our daily decisions. Every action we take and how we manage ourselves as a Group contributes to the positive reputation that Exim Bank Group enjoys.

Clear expectations

We endeavour to set clear expectations for our employees in carrying out their responsibilities in compliance with our principles and our Code of Ethics and Conduct, to adhere to our policies, and comply with the laws. We encourage our employees to use their good judgement, consider their actions, and seek guidance whenever necessary.

Our principle on Leadership

Our leaders must set the example through their conduct and promote the Group's principles and values. All leaders are required to guide all employees to comprehend and practice this Code and all other company policies during their daily activities.

Responsibility and Respect in the Workplace

Exim Bank Group is committed to operating and conducting its business practices under the principle of responsibility and to harmoniously integrating business management, legal compliance, and respect for ethical principles.

We are committed to a safe and healthy workplace. At Exim Bank, we view safety as everyone's responsibility and encourage our employees to ensure that the activities they carry out are done safely.

Conflict of interest

A conflict of interest emerges when your activities and/or personal relationships interfere, or may interfere, in a real or in a perceived way, with one's capacity to act with Exim Bank Group's best interest. Although our code does not include all possible instances where a conflict of interest may emerge, we encourage our employees to use their best judgment and common sense.

Promoting integrity

At Exim Bank Group, it is everyone's responsibility to assure that all information registries provide accurate and verifiable information. Information management is of utmost importance for our business management, our legal compliance, and the credibility and reputation of the business.

Whistleblowing

At Exim Bank, we have robust whistle-blowing channels through which anyone can report possible illegal, or suspected illegal, actions and violations of the Group's Code of Conduct. Examples of violations include, but are not limited to fraud and corruption, harassment and discrimination, and violations of environmental and human rights laws.

We acknowledge the risk of violations of our Code of Conduct and depend on the willingness of employees and external parties to raise concerns in order to uphold high ethical standards. Employees have the right and responsibility to report concerns. External parties, including employees of associated companies, are also encouraged to report concerns

Anti-Bribery

Exim Bank Group does not tolerate corruption. Bribes are prohibited, whether directly or indirectly. A bribe consists of giving or offering something of value to a government official (or another party) to obtain a special benefit for the company. Take special care in relationships with third parties who could interact with the government on behalf of the company.

Accountability and Service

We are accountable — individually and collectively — for our behaviours, actions and results.
We are responsible to the people we serve and the donors who enable our service.

Equality

By encouraging equitable access to opportunities and services, we work to ensure equal outcomes for all of our clients and team members. Our code of conduct aims to ensure that we carry out our work following the ethical and moral principles that support our humanitarian calling.

At Exim Bank, it is everyone's responsibility to uphold this code to carry out the Group's objective. The code applies to everyone who works for Exim Bank, including all directors, officers, staff members, interns, volunteers, incentive workers, and partners.

Financial Statements

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Corporate Information

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	Exim Tower Plot 1404/05, Ghana Avenue P.O. Box 1431 Dar es Salaam, Tanzania	
PRINCIPAL BANKERS	Bank of Tanzania P.O. Box 2939 Dar es Salaam, Tanzania Deutsche Bank Trust Company Americas Church Street Station P.O. Box 318 New York, United States of America Deutsche Bank AG London, EC2P2AT United Kingdom Citibank New York 111, Wall Street New York 10043 United States of America	Deutsche Bank AG, Global Transaction Banking - Trade Finance Financial Institutions, Taunusanlage 12, 60325, Frankfurt Am Main, Germany Nedbank 3rd Floor Block H 135 Rivonia Road Sandown, Sandton 2196 P.O. Box 1144 Johannesburg 2000 South Africa Axis Bank Limited Corporate Office, Axis House Pandurang Budhkar Mag, Worli Mumbai-400025, India
SOLICITORS	Galati Law Chambers Advocates 3rd Floor, Exim Bank Building Kenyatta Road P.O. Box 11317 Mwanza, Tanzania Mnyele, Msengezi & Company Advocates P.O. Box 2479 Dar es Salaam, Tanzania M.A. Ismail & Company Advocates 2nd Floor, Reliance House, Upanga United Nation Road P.O. Box 1553 Dar es Salaam, Tanzania Rex Attorneys at Law P.O. Box 7495 Dar es Salaam, Tanzania Kesaria & Company P.O. Box 729 Dar es Salaam, Tanzania	Mawalla Advocates Plot No. 175/20, Mawalla Heritage Park Mawalla Road P.O. Box 6101 Arusha, Tanzania B & E Ako Law Plot No. 30, House No. 7 Ursino Street, Regent Estate P.O. Box 71748, Dar es Salaam, Tanzania Hallmark Attorneys P.O. Box 13811 Dar es Salaam, Tanzania Locus Attorneys P.O. Box 4110 Dar es Salaam, Tanzania Joachim & Jacobs House No. 37 Ali Hassan Mwinyi Road P.O. Box 3979, Dar es Salaam, Tanzania
BANK SECRETARY	Adili Corporate Services Tanzania Limited P.O. Box 79651 Dar es Salaam, Tanzania	
AUDITORS	Deloitte & Touche Certified Public Accountants (Tanzania) 3rd Floor, Aris House Plot No. 152, Haile Selassie Road Oysterbay P.O. Box 1559 Dar es Salaam, Tanzania	

DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

1. INTRODUCTION

The Directors submit their report together with the audited consolidated and separate financial statements for the year ended 31 December 2021, which reflect the state of affairs of Exim Bank (Tanzania) Limited (the "Company" or "Bank") and its subsidiaries, Exim Bank Djibouti S.A., Exim Bank Uganda Limited, Exim Bank Comores S.A. and Core Securities Limited (collectively referred as the "the Group").

2. INCORPORATION

The Company was incorporated in Tanzania under the Companies Act, 2002 in the year 1993 as a private company limited by shares. From 1997 to date the Bank managed to expand its network from 4 branches in Dar Es salaam to 30 across the country in Tanzania and 17 other in our subsidiaries. In total there are 47 branches across the group.

3. VISION

To be the Bank of choice.

4. OUR MISSION

The Bank is committed to remaining an innovative Tanzanian Bank offering services of international standards.

5. PRINCIPAL ACTIVITIES

The Bank's Reach

Except for Core Securities Limited, the Group is engaged in the banking business, that is, accepting deposits for lending and investments and other commercial banking services. The Bank is licensed under the Tanzania Banking and Financial Institutions Act, 2006 and the subsidiaries are licensed under the respective laws of Uganda, Comores S.A and Djibouti.

About Bank's Customers and Engagement Approach

Our group is centered at servicing a very diversified portfolio of customers ranging from governments, public entities, corporate customers, small and medium enterprises all the way to individual customers offering a full bucket of financial, investment and insurance products across the region with our presence.

The group has been operation through three main revenue generating units which represent the face of the Bank; these are: -

- √ Corporate Unit which is focused on corporate clients who have met specific set criteria,
- √ Retail Unit which serves all other corporates that have not met the corporate criteria including SMEs and individual customers, and
- √ Treasury unit which manages all other forms of arrangements not falling in the two mentioned units. Treasury and Global Markets Unit which ensures optimal balance sheet management and related risks together with servicing corporates and retail clients on foreign exchange and other financial market instruments

The distinction between the units is set to ensure the Bank always deploys the right strategy and avails the right resources to meet the requirements of our diversified customer base and maintain maximum satisfaction across the different groups. The units are supported by 14 functions which are strategically positioned to ensure smooth performance of the revenue generating units.

The Bank is committed to live up to its shared values and works to provide customers with the best services through a straightforward business model anchored in diversification by business, geography, risk, and people, as well as a clear focus on our business strategy. The Bank embraces the future by establishing itself in unbanked markets where it connects with customers and develops a range of products and services, to meet their changing needs using new technology to improve the services.

Service Delivery Channels

The Bank has been evolving around the needs and requirements of the market since inception. It has managed to open and run 30 branches in Tanzania and 17 more in the region where it has subsidiaries and the core service delivery channels.

The Bank has rolled out number of alternative delivery channels such as ATMs, Mobile banking services, online banking services and cash management solutions. The Bank is looking to engage agents across the country to increase accessibility of our services.

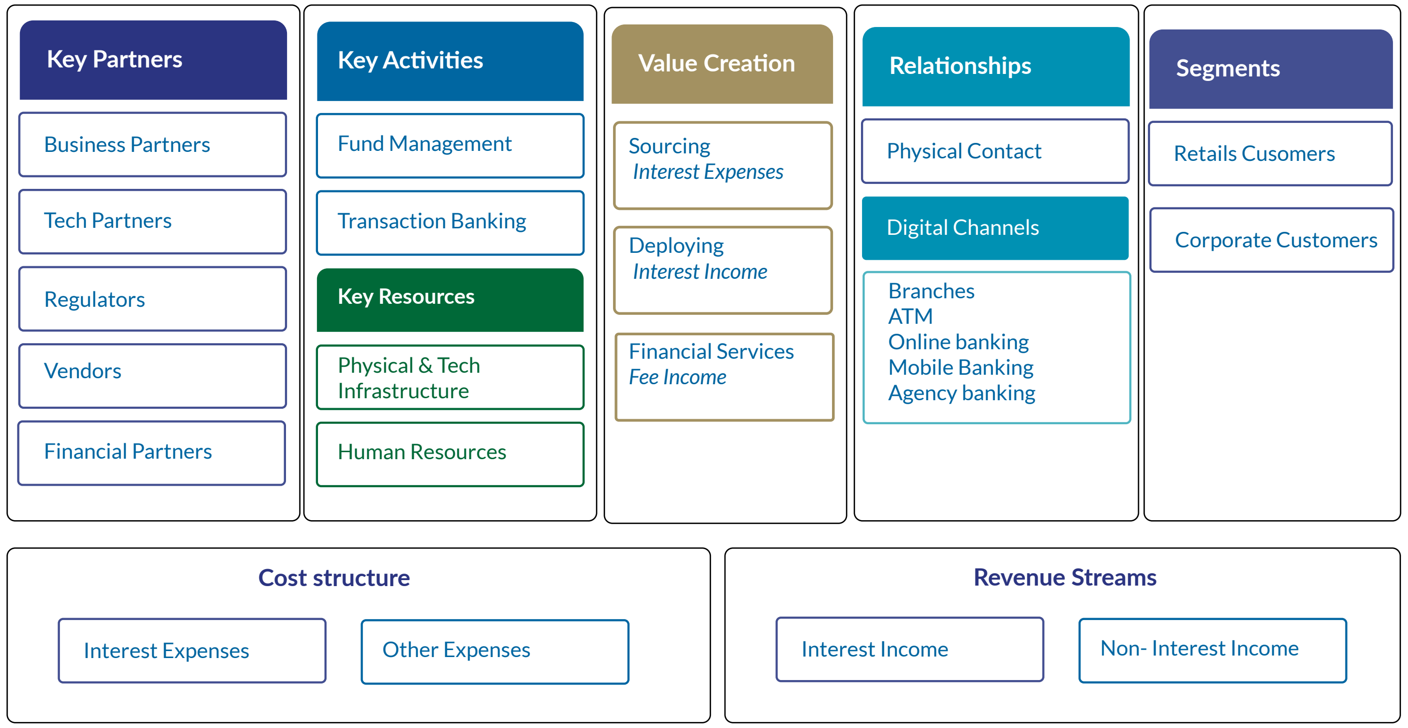
6. OUR BUSINESS MODEL

Exim Bank plays a key role in connecting the providers and users of capital. We recognize the role we play in the society, and our success as a business has always been closely linked to the progress of the people, communities, and businesses we serve. We aspire to grow and deliver value for all our stakeholders. For us, value is best illustrated through customers satisfaction, shareholders value enhancement, staff welfare and serving the community around us. In achieving the same we anchor our actions on a firm foundation of defined strong values.

Our mission is to provide competitive and innovative financial solutions through digital transformation, to achieve distinctive customer experience, while caring for our people and delivering a sustainable contribution to the society. Our purpose is to transform lives through financial sector innovation, intuitive action and sustainable business.

We invest in people, technology, and processes to deliver value in a responsible and sustainable manner. Therefore, through innovation and strategic investments, we continue to expand our delivery channels to deepen access to financial services. We have a robust plan to drive financial inclusion with a clear aim to serve the less privileged communities and include the lower segment of the market into the financial ecosystem.

We understand that as one of the leading financial service providers, our relevance today and in the future, along with our ability to create long term value for our stakeholders is dependent on our ability to effectively manage and leverage the forms of resources available to us.



DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

7. RELATIONSHIP TO OUR STAKEHOLDERS

Our group is positioned to ensure we deliver value to all our stakeholders and fulfilling a critical role in the economies of each country that we operate in. The following is the summary of our key stakeholders and snapshot of how our group is managing each of the stakeholders. The list is in no particular order.

Stakeholder	Management of the relationship
Our esteemed customers	- We have established a convenient and effective contact between us and our customers. - Offering innovative, efficient banking, convenient and secured solutions that meet the needs of our customers. - Created an exceptional access to financial services and financial markets including access to information and advice - Created a safe and trustworthy financial services delivery options - Supporting financial milestones for our esteemed customers with products and services delivered through a innovatively superior channels.
Investors/ shareholders	- Ensure consistent delivery of attractive and sustainable returns to shareholders' investment through optimized balance sheet. - Create environment for shareholders value growth. The group reported total equity value of TZS 204 billion in 2021 compared to TZS 179 billion of 2020. - The group has also established a convenient and stable communication channel in line with best practices.
Employees	- A workplace where employees can be productive and achieve their potential. - We have created a performance appraisal system which emphasizes the rationale for recognition and reward. - Self-led development and an opportunity for career progression. - A committed career development mechanism to consistently boost capacity of our workforce. - Again effective communication channels have been established to ensure alignment of our workforce.
Regulators	- Continuously compliance and streamlining with all required regulations. - Fair and ethical engagement when dealing across the Group . - A stable financial services sector. - An inclusive and transformed sector. - During the year tax of TZS 13 billion in respect of profit generated was paid by the Group to the respective governments of the countries in which we operate.
Community	- Providing support to our communities, and access to social and environmental financing to address societal needs. - Increased access to, and funding for education, health and sports related opportunities. - Creation of opportunities in terms of employment opportunities where in total over 937 staffs have been hired across the group all mostly coming from the society we are operating in. - Our group has also consistently been engaging in many corporate social responsibilities which have ranged between heath, education and many others.
Vendors	- We consistently provide equal chances to all vendors to take part in supplying several goods and services to the Group. - We maintain high standard of engagement which provides a platform for all parties to deliver per agreement. - We have created a transparent mechanism through our outsourcing and procurement unit to obtain our vendors and an effective communication channel to ensure maximum participation.

DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

8. CORPORATE GOVERNANCE STATEMENT

The Group and the Bank are committed to high standards of corporate governance. It has a comprehensive range of policies and procedures in place designed to ensure that it is well managed, with effective oversight and controls.

The Board of Directors ("Board") of Bank and the Group sees governance as promoting strategic decision making that balances short, medium, long-term outcomes, and safeguarding interests of Bank and the group, shareholders, and the society in which we operate to create sustainable shared value.

Directors have a statutory duty to promote the success of the Bank and the Group for the benefit of the stakeholders. In promoting the success of Bank and the Group, Directors must have due regard to the long-term consequences of their decisions, the legitimate interests of employees, the need to foster effective business relationships with suppliers, customers and various stakeholders, the impact of the Bank and the Group's operations on the community, the environment, and the desire to maintain a reputation for high standards of business conduct.

The Board is committed to ensuring that the Bank complies with the laws, regulations, and standards applicable to the industry. The Board ensures that high standards and practices in Corporate Governance and more specifically the principles, practices and recommendations set out under the Code of Corporate Governance Practices for Listed Companies, 1994 (CMSA Principles of Good Corporate Governance Practices), the Corporate Governance Regulations 2021 as well as the Companies Act, 2002 (CAP 212) are adhered to.

The Board believes that good corporate governance is the core driver of sustainable corporate performance and creates shared value by ensuring the right balance between organizational growth and long-term stakeholders' value.

The Board of Directors regularly reviews its corporate governance arrangements and practices and ensures that the same reflects evolving good corporate governance norms, the developments in regulation, best market practice and stakeholders' expectations. Corporate governance framework enables the Board to oversee the strategic direction of Bank and the group, financial goals, resource allocation, risk appetite and to hold the executive management accountable for execution.

9. CORPORATE GOVERNANCE FRAMEWORK

Those charged with governance

The Bank and Group is set and committed to healthy corporate governance practices, which strengthens and maintains confidence in what we do, thereby contributing to optimal long-term value creation for shareholders and other stakeholders.

Our Board recognizes its collective responsibility for the long-term success of the Bank and Group it has set a reasonable best in class environment which enables it to take an active role in directing the operations of the Bank and Group it meets at least four times a year (at least once per quarter) and has in place a formal schedule of matters reserved to it.

This includes overall strategy formulation, implementation guidance and monitoring of the outcome, corporate structure and capital composition structure, financial reporting and control, oversight and review of risk management and internal control systems, significant contracts, succession planning and new Board appointments for compliance with Good Corporate Governance principles.

The Board consists of sufficient members with the right mix of skills, experiences, and knowledge to accomplish mission and vision of the bank.

The effectiveness, structure, size, composition of the Board and ongoing suitability and performance of each Board member is assessed periodically in line with requirements of Bank of Tanzania (BoT) and best practices. The Board has not received any complaints regarding their standing from any of the regulatory and professional bodies during the year.

The Board members qualification is aligned to corporate governance regulation on Governance of Banks and Financial Institutions and the appointment of each member is subject to regulatory vetting.

The Board maintains regular dialogue with shareholders and other stakeholders on matters of financial performance and strategy. Additionally, the Board periodically makes disclosures of significant developments on its website and other media.

The Board is committed to ensuring compliance with Corporate Governance regulations and adoption of best practice in governance.

DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

10. ENVIRONMENTAL MATTERS

Considering the crucial impact of environmental conservation, the bank has developed a specific environmental and social policy. The policy articulates the commitments of the Bank to sustainable development, elaborates how the Bank integrates environmental and social issues into its processes and activities, and sets the roles and responsibilities including the requirements to deliver these commitments.In carrying out its mandate of promoting sustainable development, the Bank effectively and equitably manage environmental and social risks and impacts and improve outcomes of the financed activities.

Through our green policy our group committed to: -

- Examine the environmental and social issues and concerns associated with potential business activities proposed for financing or being financed,
- Identify, evaluate and manage the environmental and social risks and the associated financial implications arising from these issues and concerns,
- Where avoidance is impossible, mitigate adverse impacts to people and the environment,
- Give due consideration to vulnerable and marginalized populations, groups, individuals, local communities, indigenous peoples, and other marginalized groups of people and individuals that are affected or potentially affected by the Bank-financed activities.

The Group is committed to promote environmentally sound and sustainable development in full range of its credit products. The Bank believes that environmental and social sustainability is a fundamental aspect of achieving outcomes consistent with its Credit Policy and recognizes that projects which foster environmental and social sustainability rank among the highest priorities of its activities.

The group in the daily operations observe the following for all businesses it finances:

- Ensure that businesses financed observe environmental safety standards and regulatory requirements in line with country laws and international best practices.
- Observe and mitigate negative impact of business on Biodiversity Conservation and Natural Resources.
- Observe and mitigate negative impact of business on cultural heritage objects, sites and structures

The continued with its go-green initiatives aimed at creating awareness to the community at large towards environmental conservation through a dedicated tree planting exercise in Dodoma, in which the Bank purchased over 10,000 trees , Also the bank has supported the green space initiatives in the city of Dar Es Salaam by adding a new garden at the intersection of Ohio, Bibi Titi and Ali Hassan roads, maintaining existing gardens (Ohio Garden, Clock Tower Garden, and Kariakoo Garden in Tanzania Mainland). The Bank strives to promote initiatives related to clean and hygiene spaces such as donation of cleaning equipment to the Ilala Municipal council during the year

11. THE BOARD'S ROLE AND RESPONSIBILITIES

The Board's primary responsibility is to protect and maximize shareholders value by considering and monitoring investment decisions, considering significant financial matters and reviewing the performance of management against industry benchmark, budgets, and business plans. The board is accountable to shareholders and is responsible for overall oversight of Bank and the Group and ensure prudent running of Bank and the Group. In fulfilling its primary responsibilities, the Board ensures compliance with the principles of good governance while pursuing economic performance. The Board is also responsible for ensuring that a comprehensive system of internal controls, policies and procedures are in place, and for compliance with sound corporate governance principles.

The Board, led by the Board Chairman, who is responsible among other matters for:

√ Promoting the Bank and the Group's long-term success and delivering sustainable value to shareholders.
√ Establishing and approving Bank and the Group's strategic and financial plans to be implemented by management.
√ Setting Bank and the Group's risk appetite and monitoring the Bank and the Group's risk profile.
√ Oversees the Risk Management Framework and its operation by management.
√ Approves capital expenditure for material transactions
√ Reviews succession planning for the management team and makes senior executive appointments, organizational changes, and high-level remuneration issues
√ Provides oversight over performance against targets and strategic objectives
√ Provides oversight over reporting to shareholders on the direction, governance, and performance of the Group as well as other material events that require reporting and disclosure.

The Management team is encouraged and invited to attend board meetings to facilitate effective communication and assist the board with its deliberations and provide critical insights and analysis of various business units within the Group.

DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

12. EXIM BANK BOARD NOMINATION, APPOINTMENT, INDUCTION, AND TRAININGS

The current Board structure comprises of eight (8) non-executive Directors including the Board Chairman. The Board determines its size and composition, subject to the Company's Articles of Association, Board Charter, and applicable law.

The Board composition is driven by the following principles:

- The Board must comprise majority of independent non-executive directors.
- The Board should consist of directors with a broad range of skills, experience and expertise and be from a diverse range of backgrounds.
- The Chairman of the Board must be a non-executive director with requisite skills and competence to lead the Board.

Appointments to the Board are made on merit, and candidates are considered against objective criteria, having due regard to the benefits of the diversity of the Board. A rigorous selection process is followed in relation to the appointment of Directors and certain specified senior appointments. All newly appointed non-executive Directors participate in an induction program. The induction program often includes a series of meetings with other Directors, the Chief Executive Officer, and Management team to enable new Directors familiarize themselves with the business. Directors also receive comprehensive guidance on Directors' fiduciary duties, and responsibilities as well as liabilities.

At all times during their tenures, all Directors are expected to maintain the requisite skills and demonstrate ethical standards to carry out their obligations. The Chairman regularly reviews the professional development needs of each Director. The program of continuing education ensures that the Board is kept up to date with developments in the industry both locally and globally.

13. COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors (the "Board") currently comprises eight members. No Director held an executive position during the year. The Board takes overall responsibility, including that of identifying key risk areas, consideration and monitoring of credit and investment decisions, review of policies, consideration of important financial matters, and generally reviewing the performance of management business plans and budgets.

The Board is also responsible for ensuring that a comprehensive system of internal controls, policies and procedures is operative, and that there is compliance with sound corporate governance principles.

The Board is required to meet at least four times a year. During the year, the Board and its committees met twenty-one (21) times. The Board delegates the day-to-day management of the business to the executive management team comprising the Chief Executive Officer, assisted by the senior management staff. The management team is invited to attend the Board sub-committee and Board meetings depending on the agenda items. Management remains responsible for the effective control of the 's operational activities and acts as a medium of communication and coordination among various business and operational units of the Group.

The Bank and its subsidiaries are committed to the principles of effective corporate governance. In this regard, the Directors also recognize the importance of integrity, transparency, and accountability. The Board has the following sub-committees to ensure a high standard of corporate governance.

The following are the Directors who served the since 1 January 2021 up to the date of this report.

No	Name	Position	Age	Nationality	Qualifications
01	Ambassador Juma Mwapachu	Chairman*	80	Tanzanian	Bachelor of Law and Post Graduate Diploma in International Law
02	Mr. Yogesh Manek	Director	67	Tanzanian	Bachelor of Arts
03	Mr. Hanif Jaffer	Director	59	Tanzanian	Certified Public Accountant (CPA-T)
04	Mr. Shaffin Jamal	Director	52	Tanzanian	Master's in Business Administration
05	Mr. Kalpesh Mehta	Director	51	British	FCA, Bachelor of Arts (Econ) Hons
06	Mr. Thomas Wescott	Director	70	American	Bachelor of Arts, Government and Economics
07	Mr. Sherazam Mazari	Director	69	Singapore	Bachelor of Business Administration - Finance
08	Ms. Irene Mlola	Director	48	Tanzanian	Masters in Business Administration - MBA

14. BOARD COMMITTEES

The Board places significant reliance on its committees by delegating a broad range of responsibilities and issues to them to achieve effective independent oversight and stewardship. It therefore remains crucial that effective linkages are in place between the committees and the Board as a whole, not least as it is impracticable for all non-executive directors to be members of all the committees.

Mechanisms are in place to facilitate these linkages, including ensuring that there are no gaps or unnecessary duplications between the remit of each committee and overlapping membership between Board committees where necessary. Alongside interconnected committee membership, the Board receives documented summaries of each of the committee's meetings.

During the year, the Board had the following board sub-committees to ensure a high standard of corporate governance throughout the year.

- Board Credit Committee (BCC)
- Board Risk Management Committee (BRMC)
- Board Audit Committee (BAC)
- Board Executive Committee (EXCOM)

(i) Board Credit Committee (BCC)

The Credit Committee seeks to ensure that the quality of the 's asset book remains within acceptable parameters and that the business has an effective credit policy, consistent with regulatory requirements and prudent risk management practices including credit impairment adequacy.

This committee met four (4)t imes during the year, it comprised of the following members:

Name	Position
Ms. Irene Mlola	Chairperson
Mr. Shaffin Jamal	Member
Mr. Sherazam Mazari	Member

(ii) Board Risk Management Committee (BRMC)

The committee oversees and advises on current and potential risk exposures of the Group, the enterprise Risk Management Framework, risk appetite, risk strategy, including strategy for capital and liquidity management and promoting a risk awareness culture across the Group, alongside established policies, and procedures. The committee met four (4) times during the year

This committee is comprised of the following members: -

Name	Position
Mr. Thomas Wescott	Chairperson
Mr. Hanif Jaffer	Member
Mr. Kalpesh Mehta	Member

(iii) Board Audit Committee (BAC)

The Audit Committee is responsible for overseeing the financial reporting process, ensuring that internal control systems are adequate and effective. The committee is responsible for among other things to review audit plans both internal and external auditors and communicate areas of concern or improvements, review of the management report letters from auditors concerning areas of improvements and deviations in accounting and operating controls also obtaining assurance from external auditors that adequate accounting records are maintained through review of policies, practices and implementation of all reporting proposed changes, review of effectiveness of financial management of the Bank and group, capital and other regulatory compliances, review of independence and objectivity of external auditors in line with the requirements of regulatory frameworks and best practices. It is also responsible for establishment of the framework for reporting unethical practices and monitor effectiveness of the whistleblowing process. The committee met four (4) times during the year.

Name	Position
Mr. Kalpesh Mehta	Chairperson
Mr. Hanif Jaffer	Member
Mr. Thomas Wescott	Member

(iv) Board Executive Committee (EXCOM)

The executive committee among other duties is responsible for some policy development for the Bank and Group both through scheduled and ad-hoc basis. It oversees implementation policy while acting as a liaison for the main Board in decision making and function as a collaboration outlet. This is placed to fill specific gaps in the decision-making process which is critical to governance best practices. The committee met five (5) times during the year.

This committee is comprised of the following members

Name	Position
Mr. Yogesh Manek	Chairperson
Mr. Shaffin Jamal	Member
Mr. Hanif Jaffer	Member
Ambassador Juma Mwapachu	Member
Mr. Sherazam Mazari	Member

15. BOARD AND COMMITTES MEETINGS DURING THE YEAR

The Directors' attendance of meetings and remuneration for the year ended 31 December 2021 is indicated below:

Name of Director	Board	Credit Committee	Risk Management Committee	Audit Committee	Executive committee	Directors' fees (TZS Million)
Mr. Yogesh Manek	4				5	10
Mr. Shaffin Jamal	4	3			5	10
Mr. Hanif Jaffer	4		4	4	5	10
Ambassador Juma Mwapachu	4					34
Mr. Thomas Wescott	4		4	4		102
Mr. Kalpesh Mehta	4		4	4		33
Mr. Sherazam Mazari	4	4			5	246
Ms Irene Mlola	4	4				27
Number of meetings held	4	4	4	4	5	
Total Directors' fees						472

16 KEY BOARD ACTIVITIES/DECISIONS DURING THE YEAR

During the year the board in total sat in 21 meetings which included both the board committee meetings and the main board session. All committees focused in its primary activities and there was no extra-ordinary meeting except for one that involved the board Executive committee. And among many other agendas that were discussed the following are some of the key decisions that were reached in meetings held during the year.

Approval of 2022 budget

The Board went for a special seating which was intended to review the proposed budget for the financial year 2022 prepared by management. The board approved growth in asset book and entire balance sheet together with its ultimate impact of growth in operating profit before

Review of implementation capital restoration plan

The board instructed management to prepare and be share regularly updates on initiatives put in place to ensure capital ratios are restored to the required levels as per the waiver granted by the Central Bank and to also enable desired growth.

Review of implementation cost to income ratio reduction plan

The Board guided management on ensuring operation costs are optimized to boos the group's cost to income ratios to the level require by the regulator and improve profitability.

Approval of policies, mandates, and directives

In line with the requirements of best corporate governance practices during the year the board reviewed, approved, and guided management into creation of policies and mandates which are key to the overall operations of the Bank and the Group to match the strategies and ever-changing industry practices.

17. COMPANY SECRETARY

The Company Secretary who served during the year and to the date of this report was Adili Corporate Services Tanzania Limited.

Providing support goes beyond scheduling meetings to proactively manage the agenda and ensuring the presentation of high-quality up-to-date information in advance of meetings. The Company Secretary assists the Chairman with all development processes including board evaluation, induction, and training. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole.

18. GOVERNANCE AND MANAGEMENT OF THE SUBSIDIARIES

The Bank has established four subsidiaries in four different countries namely Exim Uganda, Exim Bank Comores, Exim Djibouti and Core Security Tanzania limited. The countries of incorporation are also their principal place of business.

These are autonomous subsidiaries with independent management teams which all reports to Head of strategic investments and subsidiaries who is part of executive management at Group management team, they also have individual Board of Directors which also report all critical affairs to the Group Board of Directors.

All these subsidiaries are unlisted, and all have the same year end as the Exim Bank Tanzania. The investment in the subsidiaries includes the cost of shares and other initial payments made for and on behalf of the subsidiaries.

19. MANAGEMENT TEAM

The management of the Group is under the Chief Executive Officer (CEO), assisted by the following:

Title	Role
Chief Finance Officer	Supervisor of all financial decisions, responsible for preparation of financial results and strategy of the bank
Head of Business Operations and Service Delivery	Leader of the Bank operations team and primary implementor of operational directives
Chief Technology and Digital Transformation	Leader of the Bank technology digital transformation related team and primary implementor of technology directives
Head of Corporate & Institutional Banking	Leader of corporate banking team, chief implementor of corporate unit's strategic directives
Head of Retail Banking	Leader of retail banking team, chief implementor of retail unit's strategic directives
Head of Treasury	Leader of treasury team, chief implementor of Treasury related strategic directives
Head of Legal	Leader of legal team, chief representor of the Bank in all legal preceding
Head of Risk & Compliance	Leader of risk and compliance team, chief implementor of risk and compliance related strategic directives
Head of Credit	Leader of Credit team, chief implementor of Credit related strategic directives
Head of Special Assets Management (Credit Recoveries)	Leader of Credit recovery team, chief implementor of recovery related strategic directives
Head of Marketing & Communications	Leader of marketing team, chief implementor of marketing related strategic directives
Head of Administration	Leader of administration team, chief implementor of administration related strategic directives
Head of Human Resources	Leader of human resource team, chief implementor of staff related strategic directives
Head of Strategic Investments & Subsidiaries	Supervisor of Key Strategic Matters & Subsidiaries Function

The Chief Internal Auditor (CIA) reports directly to the Board through the Board Audit Committee. However, the CIA also reports to the CEO for administrative purposes.

20. ACCOUNTING POLICIES

The accounting policies of the Group, disclosed in Note 3 to the consolidated and separate financial statements, have been approved by the Board. The accounting policies for financial instruments form a significant part of the policies and are disclosed under Note 3 to the consolidated and separate financial statements. There have been no changes in accounting policies in the current year except as disclosed in Note 2 to the consolidated and separate financial statements.

21. CAPITAL STRUCTURE

The 's capital structure for the year under review was as shown below:

Authorized

20,000,000 ordinary shares of TZS 1,000 each (31 December 2020: 20,000,000 ordinary shares of TZS 1,000 each).

Issued and Fully Paid

12,900,000 ordinary shares of TZS 1,000 each (31 December 2020: 12,900,000 ordinary shares of TZS 1,000 each).

Details of the capital management, regulatory capital and capital structure are disclosed under Note 6.6 to the consolidated and separate financial statements.

Gearing of the Bank

The bank reported growth of shareholders equity to total assets from 11.88% to 12.46% while group also reported a growth from 8.57% to 9.74%. The group's total equity accounts for 11% (10% in 2020) of the groups liabilities and bank reported 14% (14% in 2020) of the total liabilities.

The Bank reported a 41% growth of total capital to TZS 141 Bio (TZS 104 Bio in 2020) mainly due to the profit generated during the year and release of reserve following improvement of loan book quality in line with regulatory requirements together with other balance sheet optimization strategies deployed during the year.

Short Term Financing

The Group is primarily funded by the customers who have kept continued to trust the Group hence reported TZS 1.7 Trio (TZS 1.4 Trio in 2020) in customer deposits out of these 87% (see note 6.4.3) are short term contractually, also there are other counterparts ranging from other banks though vostro accounts (see note 29) to other partners financing the operations through issuance of various services to the Group and accepting payment on accrual bases see note 31. The Group is planning to grow the core capital from TZS 147 Bio to TZS 156.8 Bio by end of 2022 this is in line with growth of its profitability by over 30%.

Medium Term Financing

The Bank has several partners (both local individuals and foreign counterparts) who have injected funds in way of fixed deposits, subordinated debt, standard loans and senior loan arrangements which are all medium term based see note 32 and note 33. The Bank is looking to increase return on equity by 13% by end of 2023, continued cost optimization to reduce cost to income ration to below 70% and growth of fee income which will all increase operating cashflows together with improve capital position in long run.

22. SHAREHOLDERS OF THE COMPANY

The total number of shareholders during the year was 5 (2020: 5 shareholders). The shares of the are held as follows:

Number of Ordinary Shares	Name of the Shareholder	% of shareholding	31 December 2021 Number of Ordinary Shares	31 December 2020 Number of Ordinary Shares
1	Mr. Yogesh Manek	20%	2,580,000	2,580,000
2	Mr. Shaffin Jamal	20%	2,580,000	2,580,000
3	Mr. Hanif Jaffer	20%	2,580,000	2,580,000
4	Mr. Azim Virjee	20%	2,580,000	2,580,000
5	Mr. Azim Kassam	20%	2,580,000	2,580,000
	Total	**100%**	**12,900,000**	**12,900,000**

22. SHAREHOLDERS OF THE COMPANY (CONTINUED)

The Directors holding shares are listed below:

	Name	Nationality	Number of Ordinary Shares
1	Mr. Yogesh Manek	Tanzanian	2,580,000
2	Mr. Shaffin Jamal	Tanzanian	2,580,000
3	Mr. Hanif Jaffer	Tanzanian	2,580,000

23. DIRECTORS' REMUNERATION

The remuneration for the Directors is reviewed to ensure that levels of emoluments and compensation are appropriate after considering industry benchmarks and international practices. Information on aggregate amounts of the emoluments and fees paid to Directors are disclosed in Note 11 and 38 to the consolidated and separate financial statements.

24. FUTURE DEVELOPMENT PLANS

The Group is intending to improve profitability by leveraging its investments in customer facing technology to enhance customer experience and introduce new innovative products. The Group's investment in technology will help improve operations and enhance productivity.

The group is planning to start with process re-engineering and operational enhancement through various strategies including planned upgrades to the Group's service delivery channels which some of these initiatives have already been deployed and some are due to happen in 2022 with the intention of transforming how we serve our customers by reducing the TAT and increase efficiency in our operation which will all help to increase customer experience and ensure reliability of our service delivery channels as we push our Bank even closer to our customers.

Among other initiatives we plan to also introduce more service channels and more penetration strategies to increase accessibility of our services even in places without our branches, this will help open doors to numerous opportunities starting with Tanzanian population through creation of numerous platforms to the Tanzanian population to take part in this exciting journey as we look to introduce and push more on new products and new channels which will need more partners across the group (more agents), also these intend to push our services to the fingertips of our customers and increase Bank's overall efficiency.

The Group is looking to be more engaging and expand partnerships with general populations wherever we operate through leading in creativity and innovation in how conveniently we can onboard other players in the economies we operate in. In that regard we plan to re-look at our branch network and alternative channels to ensure various expansion strategies are all implemented to increase outreach while taking measures to further strengthen the risk management framework.

To the date of this report the Group managed to successful launch banc-assurance product in Tanzania and this was deployed in all of the 30 branches that the Bank has in Tanzania. It is further looking at introducing agency banking all which will increase the Group's reach to the population. The medium-term strategy of the Group is to position itself as a leading "Retail Payment", 'to be the best business Bank with the Best Cash' and 'An Integrated Group Treasury (IGT) amongst the Top 5'.

The Bank is planning to implement numerous initiatives such as rationalization of portfolios (business portfolio and operation reliability achieved through reduction of operation complexities, diversified products and reduction of dependence on individual standard financial products.

25. PERFORMANCE FOR THE YEAR

The Group recorded a profit before tax of TZS 46.1 billion (2020: profit of TZS 29.8 billion) during the year. The Bank recorded a profit after tax of TZS 16.5 billion during the year (2020: profit of TZS 12.3 billion). The profit before tax was mainly due to cost containment measures and improvement in quality of the asset book leading to a decline in expected credit losses.

The total assets of the Group increased to TZS 2.09 trillion (2020: TZS 1.96 trillion) while that of the Bank grew to TZS 1.37 trillion (2020: TZS 1.30 trillion). The increase in total assets was mainly driven by the organic growth in customer asset book for the Group and other earning assets for the Bank.

Despite the continued impact of Covid-19 to world economy and numerous effects on number of areas including distortion of liquidity in markets, slowdown of different economic activities and shift in spending pattern yet the Bank achieved a profit before tax of 39% above prior year and despite 46% growth of tax charge yet the profit after tax was 34% above prior year. On the same note the Bank managed to grow the balance sheet by 5% from TZS 1.30 Trillion in 2020 to TZS 1.37 Trillion in 2021.

Regardless the increased competition in financial industry the above performance takes the Bank at 5 positions at group level on profit before tax among the Tanzanian banking industry and on asset size it's at the 4th position with 8% market share. This top tier position has persisted for few years now and there is a potential of growing the market share. This performance has strengthened the Bank's position in the top Tier Group emerging at number 5 on profit after tax level and number 5 on asset size.

The Group is intending to achieve further growth in profit after tax following further growth in revenue through strategic growth of the asset book and mobilization of sufficient low-cost funds together with various operating costs optimization measures including process re-engineering and numerous operation enhancements measures to be applied across the group.

The details of the above financial results and position are reflected in the audited consolidated and separate financial statements.

26. BUDGET PERFORMANCE

Financial Milestones

The bank targets a growth in balance sheet size, growth which will be attained through strategically positioned focus in optimizing the balance sheet to derive favorable yields while containing costs of funds. This will translate to a similar growth to the one attained between 2021 and 2020 also will translate to better position when compared to 3 years medium term strategy which was set in 2020. Management is optimistic that the impact of Covid-19 and the geopolitical tension in eastern Europe won't persist for significant part of 2022 to allow economies to open up and markets to stabilize.

Above growth in balance sheet is expected to allow growth in topline, growth in fee income and hence growth in operating profit which will be attained because of optimized operating costs which will allow for efficient operations and increase productivity being materialization of prior year investments in various working tools and workforce optimization.

The above result will result to reduction in cost to income ratio as part of the strategy to reduce the same to the required levels, again this growth is expected to growth the bank's capital levels above the required levels and create a sustainable position.

Group's Industry Position

The banking industry is experiencing a fundamental shift, driven by new competition from FinTech, a cultural shift, continuous change in regulations and compliance, and disruptive technologies. The coming out of FinTech/non-bank start-ups is changing the competitive landscape in financial services, driving traditional institutions to rethink the way they do business. These and other banking industry challenges can be resolved by new technology which has caused the disruptions. However, the transition from the old systems to the innovative solutions has not always been an easy one. That said, banks need to embrace digital transformation as the only way to survive in the current landscape.

26. BUDGET PERFORMANCE (CONTINUED)

Main Trends and Factors Likely to Affect Prospects

Intensive Competition

Over the past few years financial industry have seen an intensive competition which both among the existing players and new entrants to the industry most of which are the results of FinTechs which mostly target profitable spots in financial services. Given the trend expectation is that these and many other start-ups would keep on gaining market share hence shrink the margins of the traditional banks and classic financial Institutions. Despite the competitive advantage possessed by traditional financial institutions threats from these new entrants are challenging for more simplified and intuitive customer ways to offer financial services which can be expensive and complex to implement.

Above new entrants there is an increase in competition among the traditional banks given that only over 17% of bankable population is using banking services hence price war which reduces margins obtained by the existing members while speed of onboarding unbanked population is not at the same pace.

Cultural Shift

Again, in past two years given emergence of Covid-19 we have witnessed most of the customers shifting more from brick and motor banking to more of digital space, squeeze of margins makes the classical banking cost inefficient, and banks are forced to consider transformation of operations. With covid-19 the banks are pushed even harder to fasten technology-based banking solutions. These required a lot of changes in many areas in a limited time to stay ahead of the competition and most are complex in nature and cost full especially in implementing them. The cultural shift towards new technologies is a reflective acceptance of digital transformation.

Increase in Expectations

All the banking stakeholders in recent years have significantly transformed in how they view banks which have also affected their level of expectations which most range around more smart and customized experiences, convenient access, more transparency, and personalized tastes across different products. Tolerance level of the customers have been reducing time to time and marginal slowdowns and downtimes sometimes results to lost of relationships and hence loss of business and with existence of social media where interaction increased information flow hence creates no margin unlike prior era.

Continued impact of Covid-19

As detailed in note 42 of Directors report that Emergence of Covid-19 for the past two years resulted to a very significant impact to the world economy and have affected and resulted to shift in factors of demand and supply. In number of areas, we and the entire banking industries have seen increases in credit risk in some cases, constrained business growth where in Tanzania we experienced below target growth of GDP, inflation rates and different impacts in other grounds including in liquidity pattern pushing both banks and regulators to think of immediate strategies to contain the impact. This affected banks strategies as most of these side effects came unpredicted and their impact takes longer to identify and combat.

Our key success factors and areas of strength

For the past 25 years we have been banking industry leading bank in innovation and leaders in offering of high standard services to our customers which are delivered through flexible and reliable operation set up which is delivered by to quality professionals who serve at the highest level of integrity as we have consistently kept customer satisfaction at the center of what we do and how we operate.

Customer focused approach

We have always been the bank of choice given our commitment to center our entire operation while thinking about maintaining highest level of customer satisfaction which over time we attained it through innovative relationship management approaches, customized products, convenient service delivery channels and our effective customer support which have created an excellent customer experience which is unmatched in the industry.

26. BUDGET PERFORMANCE (CONTINUED)

Our key success factors and areas of strength (continued)

Leading in innovation
Since inception of our operation, we have consistently led the banking industry innovation through being the first in introducing several innovative (such as mobile branch, Credit cards and many others) means to serve our customers all range from offering of innovative products, innovative delivery channels and innovative ways to integrate all necessary inputs across both the brick and motor banking error all the way to the current digitized banking environment. This gave our bank a front foot and brings us close to our customers efficiently and effectively.

Brand
Over the past 2 and half decades we have created a strong brand both at a company and at a Group level hence we were able to open operations across 3 countries and reach a very long customer base. This has been among our strongest holds which principally keeps challenging the Bank and Group to keep up the highest standards of services hence increase customer loyalty and remain the bank of choice across the regions which have been braced by our presence.

Technology and infrastructure
Our deep technology and infrastructure capabilities drive seamless customer experiences and support strong resilience. We have invested in technology which enable competitive product development, implementation of reliable techniques for control of risks and enhancement of digital channels which help the bank to reach geographical faraway and diversified markets. As a Group we have embarked into the latest technologies starting with upgrading our core banking system together with significant infrastructure and connectivity enhancements, normally seen as addressing the enablers which assist in a more flexible structure that respond quickly to the dynamics of a fast pace changing market environment.

Operations and governance
Our risk management, governance and controls help ensure customer and client outcomes are delivered in the right way. This group and bank Risk Management Frameworks forms an integral part of corporate governance. It lays blueprint to high-level governance structure it also outlines controls, processes which all help in implementing risk management strategies. Our effective communication channels help to cascade the same across the group to have alignment hence efficient implementation. Effective risk management equips the group and bank to respond actively to market volatilities and uncertainties using well analyzed risk-based information to enable more effective decision making.

Employee engagement
Our workforce is among our biggest competitive advantage, as we managed at a Group level to create a very diversified, capable and committed workforce which all work in sync and tirelessly to ensure our customers always get the best experiences there is. Over a quarter a century now we focused in shaping our workforce to create readiness to attain our customers' needs for now and the future of our Group.

27. CASH FLOW PROJECTION

Taking up from trend of the last 5 years where the Bank managed to report stable net cash inflow position from operating activities it further plan to maintain the momentum. Future cash flows of the Group will mostly be generated from deposits. The Group will continue to implement different strategies to mobilize deposits from various business segments and sectors by providing pre-eminent transactions and payment solutions together with various new strategies to reach the unbanked population. Strategic deployment and of funds and proper management and monitoring of our investments are the biggest pillars to guaranteed stable cashflow streams to meet the requirements of the Bank and Group at large.

We strategically budgeted growth of balance sheet through deployments in various high yielding and well diversified assets which will be financed again by a diversified funding sources to meet the cashflow needs. Regional footprints gives our Bank a competitive advantage when it comes to sourcing and deployments as this can be done through synchronized approach which considers the best alternative across the group.

Improvements in service delivery channel position a Bank in a region where customers and counterparts can transact easily and efficiently which will also promote flow of funds.

28. LIQUIDITY

The Group places strong emphasis on management of liquidity risk and there is a regular periodical cash flow projection process handled by the Management Liquidity Committee to ensure the Group holds sufficient liquid assets to enable it to continue with normal operations. The Board Risk Management Committee (BRMC) and management's Assets and Liabilities Committee (ALCO) also monitor the Group's exposure to liquidity risk by ensuring that limits are set based on realistic assumptions. The committees track compliance on quarterly and monthly basis, respectively.

The Group's main sources of liquidity are deposits, shareholders' funds and borrowings.

At company level the Bank managed to consistently maintain Liquidity ratios way above the regulatory ratios and have then mode some deliberate strategies to optimize the banks' balance sheet which have helped largely in creating balance between assets and liabilities given their maturity profiles.

29. DIVIDEND

The Directors do not propose payment of a dividend for 2021 (2020: Nil).

30. RESOURCES

Employees with appropriate skills and experience in running the business are a key resource available to the Group, and they assist in pursuing the Group's business objectives. The Group continues to encourage open and honest communication in decision-making. Employment issues as well as financial and economic factors affecting the Group's performance are regularly shared with the employees.

Human resources
At Exim employee engagement is a critical driver of long-term sustainable value. Our people's thoughts and feelings about their work correlates with how satisfied our clients are; and indicates how successful we are likely to be in accelerating our strategy to achieve higher growth and efficiency, while retaining the trust our stakeholders have in the group. The group is operated by 937 employees, (2020: 962 employees) which are well diversified and skilled and the group spent TZS 117 million on training. Management team is still implementation an initiative to ensure at least ¼ of all staffs in technical roles are certified by 2023. Staff productivity have grown by over 9% (revenue per staff of TZS 179 million in 2021 from TZS 163 million in 2020).

Manufactured capital resources
The group's plant property and equipment increased by 19% despite growth in profitability as a result of increased utilization and optimization of available tools. The group network grew by 4% as number of branches increased from 45 by 2020 to 47 in 2021. Branch profitability grew by 11% from TZS 3.5 billion in 2020 to TZS 3.6 billion by 2021.

Intellectual capital resources
The group's competitive advantage is resting on its commitment to promotion of innovation and creativity from which a strategy team under head of strategy is established to oversee the group's strategic initiatives. The group overall has over 30 staffs who are members of professional bodies and more are supported by the Bank to completion of the same.

Also, our Group adopted and keeps on adopting and deploying several technologies ranging from making the most of available big data and emerging technologies which creates operational efficiencies in our entire operations. The knowledge and expertise incorporated within our systems, processes and procedures and the equity built in the Groups' brand constitute our intellectual capital. We have invested in a strong brand and subsidiary businesses, strategic partnerships and innovative products and solutions that we offer to our customers. We have made and remain committed to investing in digital adoption with automation at our center of thought as we deem that to be the future of banking operations soon.

Financial capital resources
The group's total shareholders' equity increased by 14% from TZS 178 billion in 2020 to TZS 204 billion in 2021, while net debt (including lease liability have grown by 15% between 2020 and 2021. Earnings per share have also increased from TZS 1,362 to TZS 2,024.

30. RESOURCES (CONTINUED)

Social capital resources
The Group's has maintained its brand value mainly through maintenance of epic employee relations maintained through effective communication with employees and investors resulting to beneficial engagements with government, regulators, competitors, vendors, and tax authorities. Over the years the Bank maintained a sustained support to the general community through many supports of community projects as per note 30 of Directors' report. The Bank further maintained its membership and participated in many social forums such as NBAA (seminars, best presented financial statements awards ceremony), TIOB (different meetings and representations) and many other.

Natural capital resources
The group's maintained its carbon neutral operations which are implemented through several initiatives including volunteering to maintain different gardens in various locations including several big ones in Dar Es Salaam city center as detailed in Note 41 of Directors' report on our go green initiative.

31. TREASURY POLICIES

The Group operates a centralized treasury department for managing treasury activities in accordance with the framework of treasury policies and guidelines approved by the Board. The treasury department transacts with several banks and financial institutions and adopts a systematic approach to the control and monitoring of counterpart credit risk. The Group, through its Risk and compliance department, monitors compliance against the principal policies and guidelines. The key treasury policies are:

Market Risk Policy
The policy provides guidance/ framework for managing exchange rate and interest risks, also protect the value of the Bank assets from adverse effects of market rate movements.

Liquidity Policy
Provide guidance for on management of the liquidity risk under normal and crisis situations. This set out a liquidity management decision-making structure in the Bank, approaches to funding and planning for liquidity planning and management, regulatory compliance, and contingency funding plan. Strong cash generation in recent years and a prudent financing strategy have resulted in the Group currently being adequately positioned to withstand the credit and liquidity challenges in the Bank and capital markets.

Throughout the year the Bank reported above regulatory liquidity ratio of 20% because of strategically optimized balance sheet. Also, the Bank consistently complied to the required statutory minimum reserve requirements. Furthermore, the group reviewed its Transfer pricing policy and same was concluded to still be relevant and in line with the requirements of the regulatory authorities and all transactions were done at arm's length and that no restriction for funds transfer between the group components was imposed during the period and none foreseen for the near future.

The group has not entered into any new covenants and had obtained waiver from all 3 DFIs from whom there was breaches of existing covenant and all were communicated to be a continued impact of Covid-19 to the general global economy.

Contingency Funding Policy
The policy provides guidance for managing stressed liquidity situation created by a problem or market wide crisis and ensure that the Bank is able all the time to meet its matured obligations as they fall due and remain as good as going concern.

Current liquidity including the level of borrowing
The Group ensures that liquidity is monitored in order to manage its liquidity gap by determining the excess or shortage of funds at selected maturity dates by tracing cash inflows and outflows over a series of specified time buckets. The aim is to trace and reflect the maturity periods for the 's assets and liabilities.

Maturity profile and un-drawn committed borrowing
The Group is sound and will remain to be sound in liquidity position as it has adopted a more conservative approach to the investment of its surplus cash, with money market deposits being placed with relatively stronger financial institutions for shorter periods. Counterparty credit risk has been and continues to be, monitored closely on a systematic and ongoing basis, taking account of the size of the institution.

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32. PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks that may significantly affect the Group's strategies and development are mainly operational and financial as described below: -

Strategic Risks
The risk of current and prospective impact on income, capital and reputation of the bank arising from poor business decisions, improper implementation of decisions or lack of response to industry or technological changes. The risk is a function of the compatibility of the bank's strategic goals, business strategy supporting achievement of the goals, resources deployed to achieve these goals and quality of implementation.

Credit Risks
The risk of loss arising from the failure of customers or counterparties to fully honor their obligations. This includes timely and full payment of the principle, interest, collateral, and other receivables.

Capital Risks
The risk that the bank has an insufficient level or composition of capital to support its normal business operations as well as to meet regulatory capital requirements under normal operating conditions (both actual and as defined for internal planning or regulatory testing purposes).

Liquidity Risks
The risk that the bank is unable to meet its contractual or contingent obligations or that it doesn't have the appropriate amount, tenor and composition of funding and liquidity to support its assets.

Market Risks
The risk of loss arising from potential adverse changes in the value of the bank's assets and liabilities due to fluctuations in market variables including but not limited to interest rates, currency exchange rates, credit spreads, equity prices, commodity prices, implied volatilities and asset correlations.

Operational Risks
The risk of loss arising from inadequate or failed processes or systems, people or due to external events where the root cause is not due to credit or market risks.

Compliance Risks
The risk to risk of current or prospective impact to income, capital. Reputation arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards as well as incorrect interpretation of relevant laws and regulations.

33. RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts ultimate responsibility for the risk management and internal control systems of the Group. The management is delegated 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 Group'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 some staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Group'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 and is of the opinion that these met the acceptable criteria. The Board carries out risk and internal control assessment through the Risk Management Committee.

34. BANK'S OPERATING ENVIRONMENT

The Board accepts ultimate responsibility for the risk management and internal control systems of the Group. Management is delegated 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:

Macro-Economic Conditions

In Tanzania which Gross Domestic Product for the year was at 5.25% (4.8% in 2020) where mining sector reported highest improvements with over 10% growth followed by over communication sector while transport sector reported smallest growth. On the other hand, Inflation closed at 4.2% in December 2021 (3.2% in December 2020) this is within the 3%-5% target. In the country inflation for food product crossed the year at 4.9% (3% in December 2020) from while non-food products were at 3.9% (3.4% in December 2020).

Consequently, extended broad money supply (M3) grew by 15.5% in the year ending December 2021 (5.3% December 2020). Domestic credit by the banking system, extended to the private sector and central government, grew at an annual rate of 14.9% in 2021 (10.8% in December 2020). Credit extended to the private sector continued to recover, growing by 10% (3.1% in December 2020) trade, personal, manufacturing and mining sector leading in terms of growth both with double figures while agriculture, transport and constructions reported the biggest declines. Growth of credit to the private sector is expected to continue to maintain an upward trend towards the target of 10.6% set for 2021/22, supported by the implementation of policy measures recently rolled out by the Central bank of Tanzania to foster credit growth and lowering of lending rates, continued post Covid-19 recovery of the global economy, and sustained accommodative monetary policy.

Interest rates charged on loans by banks slightly decreased in December 2021, partly reflecting adequacy of liquidity in the banking system and impact of the measures adopted to lower lending rates and increase private sector credit growth. In particular, the overall lending rates averaged 16.37% (16.74% in December 2020). Negotiated lending rates charged to prime customers remained broadly unchanged at around 14%. While interest rates offered on deposits by banks declined marginally as it averaged at 6.79% in December 2021 (7.09% in December 2020). On the other hand, negotiated deposits rate for prime customers remained almost unchanged around 9.82% in December 2021.

In December 2021, the shilling was traded at TZS 2,307.39 per US dollar being an appreciation by 0.11% from TZS 2,309.83 per US dollar registered in December 2020. The shilling strengthened due to increase in export proceeds from gold, manufactured goods, and tourism.

Other Key Market Conditions

In 2021 the Tanzanian bond market have seen a very high level of competition which drove the weighted average price of 100.67% (weighted average yield to maturity of 14.75%) for the 20 years by December 2020 where the paper was oversubscribed by only over 1.5% to weighted average price of 109.05% (weighted average yield to maturity of 15.39%) where the paper was oversubscribed by over 4 times. This indicates increase in liquidity in the market, increase in confidence in government papers and limited alternative risky investments.

During the year the Central Bank of Tanzania issued instruction to all banks to detailing that all banks operating in Tanzania are required to maintain cost to income ratio of not more than 55% based on its twelve preceding months also all banks were required to maintain non-performing loans ratio of not more than 5% compliance due on 31st December 2022. Following this requirement, the Bank has then implemented several strategies and initiatives towards compliance to these requirements and these range from growth of income, cost optimization, monitoring of the current non-performing relationships while managing the loan book growth and many other initiatives. Noncompliance to the same will first lead the Bank not to be allowed to offer bonuses or dividends and that other measures might be taken by the central Bank as it deems fit.

Following the impact of Covid-19 and other general economy improvement measure the government through central Bank introduced several measures during the year and these include and not limited to mainly promotion of credit to private sector and reduction in interest rates from an average of 17% to desired level of between 10% to 12%. The following are some of the measures communicated to the banks: -

- Issuance of TZS 1 Trillion worth of funds at a rate of 3% per annum for pre-financing and re-financing of new loans to private sector. For a Bank to be eligible to access this loan shall be required to lend it a rate not more than 10%.
- Reduction of statutory minimum reserve requirement (SMR) which only benefits the banks who have extended credit facilities to agriculture service at not more than 10%.

34. BANK'S OPERATING ENVIRONMENT (CONTINUED)

Other Key Market Conditions (continued)

- Relaxation of agent banking eligibility criteria from minimum experience of not less than 18 months to requirement of just National ID or ID number.
- Limitation of interest rate paid on mobile money trust accounts to not be more than interest rates paid on savings deposit account by respective Bank.
- Reduction of risk weight on loans, the Bank communicated its intention to reduce risk weights on different categories of loans in computation of regulatory capital requirements of banks.

Regulatory Environment

In the year the banking environment remained sound, stable and resilient with adequate capital to support economic activities. The Bank of Tanzania (BoT) continued to strengthen risk management practices in the financial sector by implementing various policies and regulatory reforms to safeguard the stability of the industry including directing banks with capital inadequate ratios to implement capital restoration plans and adhering to the regulatory requirements.

During the year Bank of Tanzania also issued a circular whereby it became mandatory for banks to operate within a cost to income ratio of not more than 55%. Furthermore, the circular prohibits banks with either cost to income ratio of above 55% or NPL ratio of above 5% from paying dividends and bonus from the date of the circular.

Another circular was on SMR reduction for loans that shall be extended to agriculture at rate not more than 10% will qualify for SMR reduction equivalent to loan amount extended, this helped to increase liquidity for bank to invest in earning assets. Additionally, Bank of Tanzania reduced risk weights on salaried loans from 100% to 50% for computing regulatory capital of banks, this Increases capital ratios which in turn creates a room to further extend credit to the private sector.

Political Environment

Exim group is operating under a sufficiently stable political environment in both countries which safeguards the interests of shareholders and meet stakeholders needs. Overall stabilization and growth of the bank and economy at large. Also, stable political environment has promoted the increase in foreign investment and the domestic investments and operations through fair and stable tax regime and policies induced by the governments leading to the increase of production capacity.

- The countries' political stability provides reassurance for local and international stakeholders.
- Renewed trust and restored relations among regional and international countries increased FDIs and Aids.
- Relaxation of some policy conditions restored confidence and increased business activities.
- The upper end of mobile users and internet penetration provides opportunities to offer service digitally.
- Population growth, with a large part being youth, indicate the availability of the labor force and the ability to adopt new technologies.
- The endowment of various natural resources provides an opportunity for economic growth and increased per capita income.

Competitive Position

The banking landscape continues to face competition from other players, mainly Mobile Network Operators (MNOs) and FinTech with technology disruptions becoming a norm. Similarly, the mergers and acquisitions being witnessed in the banking industry, will likely create entities that will increase competition in the sector. Exim will continue to drive innovation and other transformations in various aspects including digital transformation agenda towards building the bank of the future and creating value to our society through access to credit, financial inclusion and social responsibility programs.

The Bank continuing to support customers demand which has been a critical focus of the Exim Group throughout the year. This has been achieved through providing banking services to all over Tanzania, Uganda, Djibouti and Comores S.A.

Market Forces

The Group serves a diverse customer base with changing needs and ever-increasing demand for more value and convenience. Technology is highly impacting the banking landscape; clients expect 24/7 banking services wherever they are in the world- the same access offered by other service providers. They also expect constant innovation.

The Group maintains a customer centric focus, innovating business models that meet the customer demands and leverages on cutting edge technology to find solutions for customer needs. We have enhanced capabilities of our core banking system and alternative channels and ensure our footprint presence across the country and in our cross-border operations to foster an excellent customer experience.

34. BANK'S OPERATING ENVIRONMENT (CONTINUED)

Speed And Effect Of Technological Change

The banking sector has embraced technology to serve customers more efficiently and conveniently. The use of technology has revolutionized banking from brick and mortar to clicks, changing how banks deliver services across its channels. The Group is strategically focused to deploy technological advancements to meet the growing demands of our customers and remain competitive. We are committed to adopting new technologies and business models that support growth and driving digital adoption.

The Group also intends to build advanced analytics capability to maximize the utilization of the data asset in revenue growth, risk/fraud control and efficiency (financial control and operational cost). We will continuously promote and drive agile culture throughout the organization in order to manage speed, scale and value of the digital transformation.

Financial Inclusion

Building on our desire to transform, we remain keen on deepening access to financial services in the regions we operate in because we believe financial inclusion has a bearing on our sustainability. We strive for full inclusion for the unserved and underserved population within our markets of operation. The Group has taken financial inclusion as a social responsibility, aggressively working to ensure financial inclusion is enhanced in the country through our wide range of network, ATMs, mobile branches and point of sales. We fully back government initiatives to increase financial inclusions like in Tanzania to grow the banked population from 17% in 2018 to 50% by 2030 *(Source: Financial sector development master plan 2020/21 – 2029/30 by Ministry of Finance and Planning).*

Our strategy embraces a broad definition of financial inclusion, seeking to improve access, ensure quality and actual usage of financial products and services, including credit, insurance, payments, remittances, and savings. As a Group, we are focused on making sure technology transforms financial services in a way that works for everyone.

Human Rights

Exim Group complies to all regional and international human rights instruments. We also promote human rights through our employment policies and practices, through our supply chain and through the responsible use of our products and service in accordance with the requirements of the constitutions of Tanzania, Uganda, Djibouti and Comores S.A.

Health

The group remains committed to conducting our business in compliance with all applicable health and safety laws and regulations (the Occupational Safety Human Resources Policy, Version 5.0, July 2021. Page 10 of 21 and Health Act.No.5 of 2003) and other best practices. The group strive to provide a safe and health work environment to avoid adverse impact and injury to its employees and customers by taking responsibilities towards the safety of everyone on our premises, including employees, contractors, customers, visitors and members of the public, and ensures that they are not exposed to risks that may compromise their Health and Safety.

35. KEY PERFORMANCE INDICATORS

The following key performance indicators (KPIs) are effective in measuring the delivery of the Group's and 's strategy and managing the business. All of these are derived from reported financial results prepared in compliancy to IFRS requirements hence actual positions was used (no assumptions used) and that no new KPI was included or non was omitted from the ones reported in prior year.

Performance indicator	Definition and calculation method	Group		Bank	
		2021	2020	2021	2020
Return on equity	Net profit/Average total equity for past two years	16%	12%	10%	9%
Return on assets	Profit Before Tax/Average total assets for past two years	2%	2%	2%	2%
Cost to income ratio	(Operating expenses excluding Provisions)/ (Net interest income + Non-interest income)	70%	75%	70%	73%
Gross loans to total deposits	Total gross loans/Total deposits	78%	77%	78%	79%
Non-performing loans to gross loans	Gross Non-performing loans/Total Gross Loans	8%	7%	7%	7%
Earning assets to total assets	Total Earning assets/Total assets	80%	78%	86%	83%
Growth on total assets	{Trend (Current year total assets-previous year total assets)/Previous year total assets}	7%	10%	5%	-3%
Growth on loans and advances to customers	Trend (Current year loans and advances to customers -previous year loans and advances to customers)/Previous year loans and advances to customers}	2%	15%	-5%	-1%
Growth on customer deposits	{Trend (Current year customer deposits -previous year customer deposits)/Previous year customer deposits}	16%	11%	16%	5%
Growth on total share-holders' funds	{Trend (Current year total shareholders' funds -previous year total share-holders' funds)/Previous year total shareholders' funds}	14%	13%	10%	9%
Capacity adequacy:					
Tier I Capital	Core Capital/Risk weighted average assets including off-balance sheet items	11.5%	9.5%	13.0%	11.3%
Tier I + Tier II Capital	Total Capital/Risk weighted average assets including off-balance sheet items	13.0%	10.7%	14.5%	13.3%

How we are positioned to attain the set KPIs

- Branch operations which are well aligned to our re-engineered operating model placed to fit service demands, increase productivity and improve controls.
- Keeping the innovation and transformation culture programs to align our workforce which is centered to deliver targeted milestones.
- Keep promoting learning, development and accelerated capacity building socially and professionally.
- Well-coordinated Headquarter and branch operations.
- Promoting more innovative, convenient and effective service delivery channels
- Material improvement to the Bank's infrastructure and working tools to simplify and improve SLAs and TATs.
- Revamped and launched new SimBanking App and USSD to increase experience and drive usage.

36. SOLVENCY

The Board confirms that applicable accounting standards have been followed and that the statements of affairs of the Group and the as at 31 December 2021 set out in the consolidated and separate statements of financial position have been prepared on a going concern basis. The Directors consider the Group and the to be solvent within the meaning ascribed by the Companies Act, 2002.

37. GENDER PARITY

The Group is proud to be an Equal Opportunity Employer with 937 employees, out of which 488 were female and 449 were male (2020: 962 employees, out of which 440 were female and 522 were male) evident that our group has over 52% female workforce in 2021 compared to 49% in 2020. During the year number of women in executive management have increased from 42 in 2020 to 54 by 2021.

38. RELATED PARTY TRANSACTIONS

The related party transactions and balances are disclosed in Note 38 to the consolidated and separate financial statements.

39. WELFARE OF EMPLOYEES

Our group is based on understanding that we are our people, and our work force is what makes us who we are. Hence, we live in a belief that our workforce is our most valuable asset hence commit to always We believe that our employees are the most valuable assets, and we make effort to develop their abilities and productivity. We encourage a work culture, foster relationship with them at every level in the Group, make them express their views and share their ideas to bring about improvements towards the achievement of our vision to always create, develop and maintain their capacity, ability, and productivity for the sustainable group.

We have created a plus one work culture which improved how our employees view their tasks and hence allow each to confidently make contribution into our daily operation and to those charged with governance every opinion matters and everyone has a role to play which shaped the vision of everyone across the group.

We are established in a belief of a conducive, supportive, and inspiring work environment will create an enduring presence of a loyal and committed workforce which is motivated, trained and proactive towards delivering the value we committed to our stakeholders. Over two decades the group invested in creation of an environment responsive to different cultures and groups in all our interactions with employees, customers, visitors, suppliers, contractors, shareholders, investors and in the communities in which we operate.

Relationship between management and employees

There were continued good relations between employees and management during the year. There were no unresolved complaints received by management from the employees during the year.

The Group is an Equal Opportunity Employer. It provides equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind.

Our management and those charged with governance have centered the attention to creation, maintaining and improving the right work culture since it understands the role strong employee relationship affects the group performance. This culture has been instilled to all employees across all levels to always ensure alignment between different levels and key stakeholders.

This right culture creation and development started with creation of strong and top management with the aligned mind set through talent spotting and management, employee development, capacity improvement and leadership capabilities across all levels. At Exim those charged with governance always strive to create a conducive atmosphere where our entire workforce will be efficiently and effectively utilized hence our entire workforce work as one.

Performance Management

Among key areas that have seen amongst the biggest improvement yet in the past few years is employee performance management, which effective from January 2021 a new performance management strategy was introduced, and this intended at enhance how development of our employee is managed. The enhancements intended to improve how targets are set at beginning of review period, establish an effective and efficient performance improvement across the review period, it has also improved how the performance basis are set and what they imply and then how the performance appraisal is done. Since introduction of this new appraisal system the following have been the results.

- Improvement in employee productivity as revenue per staff improved by 2%
- Growth in revenue despite decline in number of staffs.
- Staff turnover have reduced from 15% in prior year to 12%.
- It has created a more engaging process than before

Our group and bank starts the PMS with Balanced Scorecard which establishes the milestone that the group and bank as a whole intends to achieve by both end of medium term (normally 3 years) and cascaded in annual basis. The group goals are then split into an individual bases to create a unified effort across the board.

39. WELFARE OF EMPLOYEES (CONTINUED)

Learning and Development

For the year 2021, the Group spent TZS 117 million (2020: TZS 118 million) in employees' learning and development. Training programs have been and are continually developed to ensure employees are adequately trained at all levels. All employees undergo annual training to upgrade soft/banking skills and enhanced development.

Talent management

During the year the Bank launched Graduate Program which focuses on preparing college graduates to become experts in banking, and building them into future leaders. The program is a rich career and professional development opportunity for committed graduates that aim to make a positive impact in the Banking Sector. In the course the trainees receive field training through branches, departments and units within the bank to build their resilience. As a local Bank We are proud to be part of the youth employment solution. At least 12% of our work force was in temporary bases during the year while it was 14% in 2020.

Medical assistance

Our employees are provided with medical insurance through a defined contribution plan. Currently, these services are provided by Strategies Insurance (Tanzania) Limited and National Health Insurance Fund. There is also a separate group life assurance cover for all staff.

Health and safety

The Group has a separate administration and security department which ensures that a culture of safety always prevails. A safe working environment is ensured for all employees and contractors by providing adequate and proper training and supervision as necessary.

Talent retention

Our group continuous seeks to identify, develop and retain talented employees. The group has developed its diversified mechanism to identify the potential talents and engage in improving and developing its capacity which in the combination of many other aspects it creates a bond between the workforce and its staffs to create an identity in valuing what everyone does to the point that retention levels have been increasing to 89% in 2021 from 86% in 2020. In the current workforce 19% of staffs have been with the bank for over 10 years (13% in 2020), 33% are between 6-10 years (35% in 2020), 48% have worked between 0-5 years (52% in 2020).

Financial assistance to staff

Loans and advances under various schemes are available to all confirmed employees depending on the assessment and discretion of management as to the need and circumstances as per the Group's Human Resources (HR) policy approved by the Board. This is to assist in promoting the welfare of employees.

Persons with disabilities

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

Succession planning

The Bank endeavors to minimize the risk of key man dependence by creating a succession pool. The succession pool creates a provision for talent sourcing in the event of an attrition in a critical position where development plans are established in preparation for their readiness. This is the process put in place to address the following main objectives: -

- Identify high-potential employees capable of rapid advancement to positions of higher responsibility,
- Ensure the systematic and long-term development of individuals to replace critical job incumbents as the need arises,
- Create a continuous flow of talented people to meet the bank's management needs, succession planning reduces the risk or time it takes to fill a critical role if someone leaves.

Employee benefit plan

The Group and all its employees contribute to the statutory social security funds in Tanzania that is NSSF which is defined contribution scheme. Employees contribute 10% and the Group also contributes 10% to the schemes. The subsidiaries comply with the social security laws and regulations applicable in the respective countries.

40. POLITICAL AND CHARITABLE DONATIONS

The Group did not make any political donations during the year. Donations made to various charitable organizations during the year as part of Corporate Social Responsibility (CSR) on health, education, sports, tourism, and environment to support endeavors amounted to TZS 266.9 million (2020: TZS 80 million).

41. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Group remains committed to the communities that it operates in and made contributions under the education, environment, and health pillars which it continues to focus on.

In 2021, the further strengthened its Exim Cares division, which its primary mission is creating platforms and initiatives in which Eximites (Exim Staff), and associated partners can transform lives through their actions. This transcends the traditional approach of CSR which is mostly through donations. Exim Cares is the 's social responsibility arm that addresses important social issues and builds on the commitment of Exim at work today, for tomorrow's approach which aims at working for a better tomorrow for the communities that support and surrounds the bank.

Eximites (Exim Staff)

Further in line with Exim Cares mission of enabling staff to transform lives through their actions, each department was given a budget to choose and support a cause of their choice. Through this approach charitable activities such as financing a young boy's heart surgery, world cancer day, and donation of basic needs items to orphanages were conducted.

Health

The Bank donated several protective gears and basic needs items to orphans and children with disabilities in four regions in the country. The move aimed at enabling disadvantaged children to take precautionary measures properly during the COVID-19 pandemic. As well as to keep up with their daily needs. Being part of the Bank's Corporate Social Responsibility program known as Exim Cares, the donation was done to selected centers in Dar es Salaam, Zanzibar, Shinyanga, and Mbeya.

Education

Desks Donation

In its effort to support the Government of the United Republic of Tanzania's quest in transforming education in the country, Exim Tanzania through Exim Cares pledged to donate 1,000 desks to various primary schools across the country in one year from October 2021. To date, the Bank has donated a total of 250 desks to Dodoma, Lindi, and Mwanza.

Construction of toilets

In line with the Bank's CSR focus areas and mantra of transforming lives through its action under Exim Cares, the Bank partnered with a foundation in Zanzibar to build new and renovate old toilets for Kandwi Elementary, Primary and Secondary School. Through this donation, over 200 school kids were able to access clean and safe toilets.

Young Scientists of Tanzania

To further pioneer and spur up innovation in the country, the Bank supported the Young Scientists of Tanzania organization through a sponsorship program which helped in organizing to facilitate science for development in Tanzania.

Environment

The continued with its go-green initiatives aimed at creating awareness to the community at large towards environmental conservation See Note 10 of Directors report for more details.

Other Donations

The donated TZS 130 million towards promoting tourism and the country at large on a specific documentary project pioneered by the Government.

The Bank further made several donations in Mtwara School sports Equipment (Michael Day Care), CEO Golf, Mchengerewa Cup and Miss Tanga events.

42. IMPACT OF COVID

Overall impact of COVID

It's been two years since COVID-19 pandemic outbreak, during this time the Group has been continuously monitoring the impact of the pandemic and various measures taken by different sovereigns including but not limited to government of Tanzania, Uganda, Comoros, Djibouti through Central Banks together with measures taken by other governments which might affect how we operate as a Group.

With that regards the economies we operate remained stable and the business environment remained sustainable across most sectors. The financial sector continued to perform well, despite the rapid changes seen in several patterns of the economy including changes in consumers' spending behavior and investors risk appetites. However, we have noted that some sectors were adversely impacted by the pandemic, mainly because of the measures taken by individual governments and businesses to respond to the outbreak.

Governments we operate in opted for solid measures which enabled to control the impact of the pandemic which allowed the economic activities to fully resume and sustain the same. The pandemic impacted mostly the tourism related sectors such as hospitality whilst other sectors such as the construction, agriculture, transportation, health, and trade continued to grow at a steady rate. For 2021 most economies did not opt for operation suspension or scale down as more understanding of the pandemic is attained hence banks continued to operate however general global economic slowdown disrupted the ability to generate cashflows and credit worthiness of customers. We however remain optimistic that the banking sector will continue to strive as a result of strong measures the governments has taken to improve business environment. We have seen Central Banks provide significant relief policies to promote credit growth for the private sector. Specifically, the measures taken by the Central Bank of Tanzania and together with our strategic initiatives yielded the seen performance of the Group despite the effect of the pandemic.

The Bank and group have tapped the opportunities availed by Central Bank policies and directive measures including but not limited to loans modifications to sectors affected and effort to alleviate the effects of the pandemic to the economy.

To mitigate liquidity risks in the during of the Covid-19 pandemic, the bank in collaboration with government stakeholders through the regulators took various steps to and ensure continuity of operations even as it monitored the situation. The bank is positioned to take appropriate actions to respond to the changes in the market and fully navigate any significant disruption that may ensue.

Measures taken by the Central Bank mitigate the risks of the pandemic

- Circular was on SMR reduction for Loans that shall be extended to agriculture at rate not more than 10% will qualify for SMR reduction equivalent to loan amount extended, this helped to increase Liquidity for Bank to invest in earning assets.
- BOT Reduced risk weights on salaried loans from 100% to 50% for computing regulatory capital of banks, this increases capital ratios which in turn creates a room to further extend credit to the private sector.
- Relaxation of agent banking eligibility criteria, whereby BOT removed a requirement for business experience of at least 18 months for applicants of agent banking business by retaining only a requirement for National ID card or National ID number which create a room of potential growth of agent network.
- Limitation of interest rate paid on mobile money trust accounts whereby interest rate on deposit held in mobile money trust accounts shall not exceed rate offered on savings deposits by the respective Bank which led to the reduction of interest expense attributable to trust accounts.

Measures taken by the Bank and Group to mitigate the risks of the pandemic

- To protect staff and the public to ensure business continuity by, continuing providing awareness and health campaigns for staff and customers to drive compliance with the mitigation guidelines including social distancing, handwashing and wearing of facemasks which were provided by the Bank for free to all staffs.
- Ensuring appropriate Personal Protective Equipment (PPEs); Sanitizers, thermometer guns, gloves, and facemasks, which are distributed to the entire network i.e., HQ, branches and ATMs.
- Aggressive deployment and issue of innovative technology solutions and tools such as Microsoft teams and zoom for internal and external meetings to reduce physical interactions.
- Improvement, deployment of new and pushing customers to consider Bank's alternative service delivery channels mainly to do with digital banking platforms and solutions such as online banking, Bank to wallet, PoS, ATM solutions, Cash management solutions to minimize customers' branch visits.
- Installation of sanitizers at Bank's premises including branches, HQ, ATMs to reduce the risk of surface transmission.

42. IMPACT OF COVID (CONTINUED)

Assessment of the measures taken by the Bank and Group to mitigate the risks of the pandemic

Credit risks

In terms of credit risk, the had not experienced the significant increase in credit risk in all its financial instruments despite the outbreak of the pandemic. Credit portfolio performance was relatively stable during the year (reported a contained NPA of 7% to gross loan book), strengthened by the credit reforms implemented over the period. However, there was some adverse impact, especially in sectors directly affected by the pandemic mainly the tourist sector. However, the Bank took pro-active measures to engage customers' to closely understand their unique situations and support them to navigate the crisis. The main intervention was loans modifications where during the year total of TZS 236.8 billion (TZS 218 billion in 2020) were restructured to contain the impact of the pandemic to affected customers.

The Group is implementing numerous credit monitoring initiatives ranging from portfolio management and monitoring identification of early warning signals and implementing proactive corrective actions timely. Moreover, the Bank implemented a strategy to contain the loan book growth.

and strategically push for higher yield but lower credit risk such as consumer loans, close engagement with customers and timely restructuring of credit facilities to align with the anticipated cash flows and writing off loan and advances in line with Central Bank guidelines. Again, the Bank through its channels keeps on engaging borrowers and customers on various sectors through close monitoring and follow up of Covid-19 restructured facilities.

Hence from above initiatives taken the pandemic was seen to have a marginal detrimental impact directly to the Bank's operation hence no significant adjustment made with respect to economic assumptions applied and disclosed by the Bank as of 31 December 2021.

43. MAJOR FINANCING TRANSACTIONS

There was no major financing transaction other than the new subordinated bond worth TZS 14 billion and the matured and paid off retail bond worth TZS 14.9 billion this had a negligible impact in interest expense largely the Bank's operations during the year was mainly financed by deposits.

44. CLIMATE-RELATED RISKS

The Group recognizes the climate change related risk. Extreme weather events such as storms, high winds, drought, and high temperatures may generally impact various businesses.

The Group's business which is directly linked to climate change is in agricultural sector, as of December 2021, the portfolio formed TZS 67 Bio (TZS 107 Bio in 2020) of the loan book. The Group has persistently complied with BoT guidelines about concentration risks to mitigate likely any negative impact.

The Group has in place internal environmental policy which among other things promote digital communication, digital transactions, and paperless activities. There are no changes to the current 's environmental protection policy, hence no additional financial commitment is required regarding climate related risks.

Forward looking climate related risks that could potentially impact the financial statements of the Group are physical damage of the low lying coastal leased buildings hosting the facilities and employees, and massive lending to agricultural sector.

45. STATEMENT OF COMPLIANCE WITH TFRS-1

The financial statements of the Group are in compliance with all provisions of TFRS-1 and other legal and regulatory requirements.

46. AUDITORS

Deloitte & Touche was the auditor of the Bank for the year ended 31 December 2021 in accordance with Section 170(2) of the Companies Act, No.12 of 2002.

The auditor has completed first round of three years prescribed by the Bank of Tanzania. Re-appointment of the same auditor or appointment of new auditor for the year ending 31 December 2022 will be done at the Annual General Meeting and the process will comply with the requirements of Section 6 of the Banking and Financial Institutions (External Auditors) Regulations, 2014.

Deloitte & Touche with PF No 025 and TIN 100-148-692 is an audit firm registered by the National Board of Accountants and Auditors (NBAA).

Approved by the Board of Directors and signed on its behalf by:

______________________ **14/04/2022**

Ambassador Juma Mwapachu
Chairman

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

The Companies Act, 2002 requires the Directors to prepare consolidated and separate financial statements for each financial year which give a true and fair view of the state of the financial affairs of the Group and the Bank as at the end of the financial year and of its financial results for the year then ended. It also requires the Directors to ensure the Group and the Bank keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Bank. They are also responsible for safeguarding the assets of the Group and the Bank.

The Directors are responsible for the preparation of the consolidated and separate financial statements that give true and fair view in accordance with the International Financial Reporting Standards, and in manner required by the Companies Act, 2002, the Banking and Financial Institutions Act, 2006, and for such internal controls as Directors determine are necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

The Directors accept responsibility for the annual consolidated and separate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006. The Directors are of the opinion that the consolidated and separate financial statements give a true and fair view of the state of the financial affairs of the Group and the Bank and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the consolidated and separate financial statements, as well as adequate systems of internal financial control.

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

14/04/2022

Ambassador Juma Mwapachu
Chairman

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

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

It is the duty of a professional accountant, to assist the Directors to discharge the responsibility of preparing consolidated and separate financial statements of the Group and the Bank showing a true and fair view of the Group's and the Bank's financial position and performance in accordance with applicable accounting standards and statutory requirements. Full legal responsibility for the preparation of the consolidated and separate financial statements rests with the Directors as stated under the Statement of Directors' Responsibilities on an earlier page.

I, Issa Hamisi Rajabu, being the Deputy Chief Finance Officer of Exim Bank (Tanzania) Limited hereby acknowledge my responsibility of ensuring that the consolidated and separate financial statements for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards and the requirements of Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

I thus confirm that the consolidated and separate financial statements comply with International Financial Reporting Standards and the requirements of Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 as on that date and that they have been prepared based on properly maintained financial records.

14/04/2022

Issa Hamisi Rajabu
Deputy Chief Finance Officer
NBAA Membership No.: GA 3348

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF EXIM BANK (TANZANIA) LIMITED

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Exim Bank (Tanzania) Limited ("the Bank and Group"), set out on pages 42 to 157, which comprise the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements 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 consolidated and separate financial statements give a true and fair view of the financial position of Exim Bank (Tanzania) Limited as at 31 December 2021 and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

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 consolidated and separate financial statements section of our report. We are independent of the Group and the Bank in accordance with the National Board of Accountant and Auditors (NBAA) Code of Ethics, which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants, together with other ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Tanzania. 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.

Key audit matters

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole and in forming our opinion thereon. Our audit opinion has been expressed in the first section of this report and, therefore, we do not provide separate opinion on this key audit matter.

Impairment of loans and advances	How Our Audit Addressed the Key Audit Matter
IFRS 9 – Financial Instruments, which became effective on 1 January 2018, introduced impairment based on expected credit loss model rather than the incurred loss model previously applied under IAS 39.	In evaluating the impairment against loans and advances, we assessed the judgements and assumptions used by the Directors and our procedures included the following: • We reviewed the appropriateness & compliance of the ECL model to the standard regarding the methods used to determine historical default rates, macroeconomic variables and adjustments, expected cash flows, credit conversion factors and effective interest rates;

DIRECTOR'S REPORT

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matters(Continued)

Impairment of loans and advances (Continued)	How Our Audit Addressed the Key Audit Matter (Continued)
At 31 December 2021 the Group and Bank had a total gross loans and advances of TZS 1,142 billion and TZS 684 billion with expected credit loss of TZS 28 billion and TZS 19 billion respectively. Key judgements and estimates in respect of the measurement of expected credit loss (ECL) include the following: • Allocation of assets to stage 1, 2, or 3 using criteria in accordance with the accounting standard; • Accounting interpretations and modelling assumptions used to build the ECL model; • Completeness and accuracy of data used to calculate the ECL; • Inputs and assumptions used to estimate the impact of multiple economic scenarios; • Compliance of the model to the standard in computation matrices used in the ECL model for calculation of Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (AD); and • Accuracy and adequacy of the financial statement disclosures.	• We reviewed the appropriateness of the definition of default, cure definition and significant increase in credit risk (SICR) of the model. We performed a review of the approach used to segment portfolio into similar risk characteristics. • We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Group's portfolio, risk profile, credit risk management practices and the macroeconomic environment. • We challenged the criteria used to allocate an asset to stage 1, 2 or 3 in accordance with IFRS 9; We tested assets in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage. • With the support of our IFRS 9 experts, we tested the assumptions, inputs and formulas used in a sample of ECL models. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models. • To verify data quality, we tested the data used in the ECL calculation by reconciling to source systems. • We further assessed the base case and alternative economic scenarios, including challenging probability weights and comparing to other scenarios from a variety of external sources. • We assessed whether forecasted macroeconomic variables were appropriate, such as GDP, interest rates and interbank lending rates. • With the support of our IFRS 9 experts we challenged the correlation and impact of the macroeconomic factors to the ECL including how non-linearity was captured. • We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards including the transaction disclosures. We found that the assumptions and judgements applied in determining impairment against loans and advances were appropriate and that the amount raised was reasonable and adequate.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information

The Directors are responsible for the other information, included in the Report of the Directors. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 and for such internal controls as Directors determine are necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group's and 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 the Directors either intend to liquidate the Group and the Bank or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's and the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and 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 consolidated and separate 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 Group and the Bank to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (continued)

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

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

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

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

- the Bank's consolidated and separate statements of financial position (balance sheet) and consolidated and separate statements of profit or loss and other comprehensive income (profit and loss account) are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is F.J. Kibiki.

Deloitte & Touche
Certified Public Accountants (Tanzania)

Signed by: F.J. Kibiki
NBAA Registration No. ACPA 3214
Dar es Salaam

14 April 2022

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Group		Bank	
		2021 TZS 'M'	2020 TZS 'M'	2021 TZS 'M'	2020 TZS 'M'
Interest income	7(a)	136,478	137,039	93,920	103,155
Other interest income	7(b)	10,223	3,995	10,223	3,979
Interest expense and similar charges	8(a)	(41,442)	(41,810)	(34,063)	(36,592)
Net interest income		105,259	99,224	70,080	70,542
Expected credit loss	8(b)	(5,339)	74	(1,689)	3,563
Net interest income after loan expected credit loss charge		99,920	99,298	68,391	74,105
Fee and commission income	9(a)	38,067	33,611	18,091	17,154
Fee and commission expense	9(b)	(121)	(140)	(121)	(140)
Net fee and commission income		37,946	33,471	17,970	17,014
Foreign currency dealings and translation gain/(loss)		17,450	16,962	10,560	10,731
Other income	10(a)	10,980	9,085	11,468	8,938
Other expenses	10(b)	90	(3,956)	(63)	(4,200)
Operating expenses	11	(46,748)	(48,612)	(29,821)	(33,778)
Personnel expenses	12	(53,629)	(55,966)	(35,092)	(36,481)
Depreciation and amortization expenses	13	(19,958)	(20,489)	(12,302)	(13,971)
Profit/(loss) before income tax		46,051	29,793	31,111	22,358
Income tax expense	14(a)	(19,382)	(13,901)	(14,630)	(10,023)
Profit/(loss) for the year		**26,669**	**15,892**	**16,481**	**12,335**
Other comprehensive income					
Items that may subsequently be reclassified to profit or loss					
Gain on government securities at FVOCI		79	87	79	87
Loss/(gain) on equity investments at FVOCI	21(a)	4	(82)	4	(110)
Deferred tax charge/(credit)	14(c)	(25)	527	(25)	527
		58	532	58	504
Items that may not subsequently be reclassified to profit or loss					
Exchange differences on translation of foreign operations	35(d)	(1,235)	3,970	–	–
Other comprehensive income/(loss) for the year, net of tax		(1,177)	4,502	58	504
Total comprehensive loss for the year, net of tax		25,492	20,394	16,539	12,839

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED31 DECEMBER 2021 (CONTINUED)

	Group		Bank	
	2021 TZS 'M'	2020 TZS 'M'	2021 TZS 'M'	2020 TZS 'M'
Profit for the year attributable to				
Owners of the parent	26,107	17,570	16,481	12,335
Non-controlling interests	562	(1,678)	–	–
	26,669	15,892	16,481	12,335
Total comprehensive income for the year attributable to				
Owners of the parent	24,930	22,066	16,539	12,839
Non-controlling interests	562	(1,672)	–	–
	25,492	20,394	16,539	12,839
	TZS/Share	TZS/Share		
Basic and diluted profit/(loss) per share	2,024	1,362		

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

Assets	Notes	Group 2021 TZS 'M'	Group 2020 TZS 'M'	Bank 2021 TZS 'M'	Bank 2020 TZS 'M'
Cash and balances with Central Banks	17	293,621	307,325	114,575	118,252
Loans and advances to banks	18	208,164	76,292	151,308	33,833
Loans and advances to customers	19	1,113,913	1,095,304	664,922	699,928
Government securities at amortized cost	20	125,666	172,529	107,117	162,313
Government securities at FVTPL	20	98,143	98,248	97,942	98,089
Government securities at FVOCI	20	117,251	53,419	117,251	53,419
Equity investments	21(a)	2,066	2,062	2,066	2,062
Equity investments: Available for sale	21(b)	505	385		
Corporate Bonds: at amortized cost	21(c)	20,534	29,301	1,784	5,122
Other assets	22	19,281	14,043	8,341	8,360
Intangible assets	23	9,417	13,048	2,991	5,108
Assets held for sale	24	2,779	13,751	2,102	12,905
Property and equipment	25	38,042	35,632	23,480	21,968
Right of use	26	26,144	28,644	19,719	24,242
Investment in subsidiaries	27(a)	-	-	38,307	33,248
Current income tax asset	14(b)	-	-	-	206
Deferred tax asset	14(c)	19,673	24,427	19,673	24,418
Total assets		2,095,199	1,964,410	1,371,578	1,303,473
Liabilities and equity					
Liabilities					
Lease liability	28(a)	28,437	29,929	21,732	25,395
Deposits due to banks	29	53,379	135,586	197,492	212,518
Deposits due to customers	30	1,678,285	1,441,605	872,938	755,488
Current income tax payable	14(b)	2,424	383	576	-
Other liabilities	31	44,428	58,356	27,767	44,231
Term borrowings	32	6,059	6,059	6,059	6,059
Subordinated debts and senior loans	33	73,987	104,401	73,987	104,401
Other provisions		4,185	9,568	184	458
		1,891,184	1,785,887	1,200,735	1,148,550
Total liabilities					
Equity					
Share capital	34	12,900	12,900	12,900	12,900
Regulatory and other reserves	35	37,718	31,253	23,112	19,088
Retained earnings		142,574	124,109	134,955	122,935
Equity attributable to owners of the parent		193,192	168,262	170,967	154,923
Non-controlling interest	39	10,823	10,261	-	-
Total Equity		204,015	178,523	170,843	154,923
Total liabilities and equity		2,095,199	1,964,410	1,371,578	1,303,473

The financial statements on pages 41 to 160 were approved and authorized for issue by the Board of Directors on 14/04 2022 and were signed on its behalf by:

Ambassador Juma Mwapachu
Chairman

Mr. Kalpesh Mehta
Director

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

Group	Notes	Issued capital TZS 'M'	Regulatory and other reserves TZS 'M'	Retained earnings TZS 'M'	Total controlling interest TZS 'M'	Non - controlling interest TZS 'M'	Total equity TZS 'M'
At 1 January 2020		12,900	44,416	88,880	146,196	11,933	158,129
Profit for the year		-	-	17,570	17,570	(1,678)	15,892
Other comprehensive loss, net of tax		-	4,496	-	4,496	6	4,502
Total comprehensive income/(loss)		-	4, 496	17,570	22,066	(1,672)	20,394
Transfer from regulatory reserve to retained earnings	35(b)	-	(20,929)	20,929	-	-	-
Transfer from retained earnings to other reserves	35(c)	-	3,270	(3,270)	-	-	-
At 31 December 2020		12,900	31,253	124,109	168,262	10,261	178,523
At 1 January 2021		12,900	31,253	124,109	168,262	10,261	178,523
Profit for the year		-	-	26,107	26,107	562	26,669
Other comprehensive loss, net of tax		-	(1,177)	-	(1,177)	-	(1,177)
Total comprehensive income/(loss)		-	(1,177)	26,107	24,930	562	25,492
Transfer from regulatory reserve to retained earnings	35(b)	-	7,456	(7,456)	-	-	-
Transfer from retained earnings to other reserves	35(c)	-	186	(186)	-	-	-
At 31 December 2021		12,900	37,718	142,574	193,192	10,823	204,015

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Bank	Notes	Issued capital	Regulatory and other reserves	Retained earnings	Total equity
		TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
At 1 January 2020		12,900	37,996	91,188	142,084
Profit for the year		-	-	12,335	12,335
Other comprehensive income, net of tax		-	504	-	504
Total comprehensive income		-	504	12,335	12,839
Transfer to retained earnings	35(b)	-	(19,412)	19,412	-
At 31 December 2020		**12,900**	**19,088**	**122,935**	**154,923**
At 1 January 2021		12,900	19,088	122,935	154,923
Profit for the year		-	-	16,481	16,481
Prior year adjustment		-	(619)	-	(619)
Other comprehensive income, net of tax		-	58	-	58
Total comprehensive income		-	(561)	16,481	15,920
Transfer to retained earnings	35(b)	-	4,585	(4,585)	-
At 31 December 2021		**12,900**	**23,112**	**134,831**	**170,843**

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Group		Bank	
		2021	2020	2021	2020
Cash flows from operating activities		TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
Profit/(loss) before tax		46,051	29,793	31,111	22,358
Adjustment for:					
Prior year adjustment					
Depreciation of property and equipment		6,854	6,285	4,310	4,554
Amortization of intangible assets		5,408	6,454	3,469	4,488
Amortization of right of use assets		7,696	7,750	4,523	4,929
Impairment charge/(release)		(5,398)	(74)	1,689	(3,563)
Impairment write back – leasehold premises		-	(79)	-	(79)
Interest expense on lease liability		2,265	2,327	1,673	1,871
Interest expense on subordinated debt		5,567	7,392	5,348	7,392
Interest expense on term borrowing		450	450	450	450
Foreign exchange loss on cash equivalents		(723)	2,482	(660)	1,827
Foreign exchange loss on borrowings		(375)	1,518	(375)	1,509
Gain/ loss on disposal of assets		(78)	125	-	186
Amortization of gain on acquisition of UBL assets		(2,423)	(2,423)	(2,423)	(2,423)
Profit from disposal of lease liability		(1)	(40)	-	(13)
Dividend income		(71)	-	(1,881)	(3,014)
Impairment of goodwill		-	559	-	-
Impairment of non-current assets held for sale		90	3,272	(63)	3,181
Impairment of investment in subsidiaries		-	-	(5,059)	833
Cash generated from operating activities		**65,300**	**65,791**	**42,112**	**44,486**
Tax paid during the year relating to previous year	14(b)	(2,798)	(6,854)	(1,670)	(6,033)
Tax paid during the year relating to current year	14(b)	(10,985)	(3,020)	(7,458)	(2,054)
		51,517	55,917	32,984	36,399
Changes in operating assets and liabilities:					
- Loans and advances to customers		(13,211)	(150,257)	32,986	7,634
- Derivative assets		-	-	-	-
- Government securities – Amortised cost		46,915	69,913	55,185	76,421
- Government securities -FVTPL		105	(94,308)	147	(94,169)
- Government securities -FVOCI		(63,832)	(53,477)	(63,753)	(53,390)
- Investment securities: Bonds		8,757	1,282	3,338	2,675
- Other assets		(5,238)	(753)	27	1,346
- Deposits due to banks		(82,207)	36,593	(15,026)	(61,202)
- Deposits from customers		236,680	143,428	117,450	34,180
- Other liabilities		(16,351)	33,997	(14,041)	16,742
Net cash generated from operating activities		163,135	42,335	149,297	(33,360)

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	Notes	Group		Bank	
		2021 TZS 'M'	2020 TZS 'M'	2021 TZS 'M'	2020 TZS 'M'
Cash flows from investing activities					
Purchase of property and equipment	25	(10,803)	(9,303)	(5,971)	(3,509)
Purchase of intangible assets	23	(1,340)	(5,674)	(1,160)	(321)
Proceeds from sale of assets		125	403	78	265
Dividends received		(71)	40	1,881	3,014
Investment in non-current assets held for sale	24	(115)	(548)	(34)	(434)
Proceeds from sale of non-current assets held for sale	24	11,231	401	10,900	297
Net cash used in investing activities		(973)	(14,681)	5,694	(688)
Repayment of term borrowings - interest	32	(450)	(380)	(450)	(380)
Proceeds from senior loans and subordinated debts	33	14,741	-	14,741	-
Payment of senior loans and subordinated debts - principal	33	(44,723)	(35,064)	(44,723)	(35,064)
Payment of senior loans and subordinated debts - interest	33	(5,405)	(7,667)	(5,405)	(7,667)
Payment of lease liability	28	(8,511)	(10,785)	(5,335)	(5,809)
Net cash generated from/ (used in) financing activities		(44,348)	(53,896)	(41,172)	(48,920)
Cash and cash equivalent at 1 January		297,384	336,811	105,483	187,570
Net cash flows from operating activities		163,135	42,335	149,297	(33,364)
Net cash flows used in investing activities		(973)	(14,681)	5,694	(688)
Net cash flows from/(used in) financing activities		(44,348)	(53,896)	(41,172)	(48,920)
Decrease/(increase) in cash reserve requirement		(357)	(10,703)	(10,108)	2,711
Net foreign exchange differences on foreign balances		-	(2,482)	-	(1,827)
Cash and cash equivalents at 31 December	37	**414,841**	**297,384**	**209,194**	**105,483**

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

1. GENERAL INFORMATION

Exim Bank (Tanzania) Limited (the "Bank" or the "Company") and its subsidiaries, Exim Bank Djibouti S.A., Exim Bank Uganda Limited, Exim Bank Comores S.A. and Core Securities Limited (collectively referred to as the "the Group") provide retail and corporate banking services in the United Republic of Tanzania, The Union of Comores S.A, The Republic of Djibouti and The Republic of Uganda. Exim Bank Djibouti S.A. has representative office in Ethiopia. Core Securities Limited is a non-banking subsidiary, incorporated in Tanzania is a licensed dealing member of the Dar Es Salaam Stock Exchange (DSE) and its main activities includes dealing in securities and secondary activities includes advisory services.

The Bank is a limited liability company and is incorporated and domiciled in the United Republic of Tanzania. The address of its registered office is:

Exim Tower
Plot 1404/45, Ghana Avenue,
Dar es Salaam, Tanzania

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

(a) Basis of preparation

The Consolidated and Bank financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The Consolidated and 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 Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated and Bank financial statements are disclosed in Note 4.

(b) Changes in accounting policy and disclosures

New standards amendments and interpretations adopted by the Group and Bank

The following standards and interpretations became effective in the current year and were relevant to the Group and had material impact on the amounts reported in these financial statements.

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

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

- a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.

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

(b) Changes in accounting policy and disclosures (continued)

(i) New standards amendments and interpretations adopted by the Group and Bank (continued)

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

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- provide temporary relief to entities from having to meet the separately identifiable requirement when an rfr instrument is designated as a hedge of a risk component.

Phase 2 amendments are relevant to the Group because it has non-derivative financial liabilities which are priced using the USD LIBOR.

Details of the non-derivative financial instruments affected by the interest rate benchmark reform together with a summary of the actions taken by the Group to manage the risks relating to the reform and the accounting impact appear in note 6.2.3 Financial Risk- Interest rate risk.

If additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other amendments. note 6.2.3 provides the required disclosures related to this amendment.

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

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

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

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

(b) Changes in accounting policy and disclosures (continued)

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

Title	Key requirements	Effective date
IFRS 17 insurance contracts	IFRS 17 was issued in may 2017 as replacement for IFRS 4 insurance contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of: • Discounted probability-weighted cash flows • An explicit risk adjustment, and • A contractual service margin (csm) representing the unearned profit of the contract which is recognized as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the csm. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others.	1 January 2023
Classification of liabilities as current or non-current – amendments to IAS 1	The narrow-scope amendments to ias 1 presentation of financial statements clarify that liabilities are classified as either current or non- current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. The receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 accounting policies, changes in accounting estimates and errors.	1 January 2023
Property, plant and equipment proceeds before intended use – amendments to IAS 16	The amendment to IAS 16 property, plant and equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022

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

(b) 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
Reference to the conceptual framework – amendments to IFRS 3	Minor amendments were made to IFRS 3 business combinations to update the references to the conceptual framework for financial reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 provisions, contingent liabilities and contingent assets and interpretation 21 levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date.	1 January 2022
Onerous contracts – cost of fulfilling a contract amendment to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022
Annual improvements to ifrs standards 2018–2020	The following improvements were finalized in May 2020: IFRS 9 financial instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. IFRS 16 leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. IFRS 1 first-time adoption of international financial reporting standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same ifrs 1 exemption. IAS 41 agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	1 January 2022
Disclosure of accounting policies – amendments to ias 1 and IFRS practice statement 2	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS practice statement 2 making materiality judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023
Definition of accounting estimates – amendments to IAS 8	The amendment to IAS 8 accounting policies, changes in accounting estimates and errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023

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

(b) 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
Deferred tax related to assets and liabilities arising from a single Transaction – amendments to IAS 12	The amendments to IAS 12 income taxes require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. they will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. in addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: • Right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets. The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. some entities may have already accounted for such transactions consistent with the new requirements. these entities will not be affected by the amendments.	1 January 2023

ii) Early adoption of standards
There are no other standards that are not yet effective which have been early adopted and that would be expected to have a material impact on the Group and Bank in the current or future reporting periods and on foreseeable future transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated and separate financial statements (together, the "financial statements'') have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006. The consolidated and separate financial statements are presented in Tanzania Shillings (TZS), which is also the Bank's functional currency, and the amounts are rounded to the nearest million (TZS 'M'), except where otherwise indicated.

For Companies Act, 2002 reporting purposes, in these consolidated and separate financial statements the balance sheet is represented by the consolidated and separate statements of financial position and the profit and loss account is included in the consolidated and separate statements of profit or loss and other comprehensive income.

The consolidated and separate financial statements have been prepared on historical cost basis except where otherwise indicated, for example, equity investments and derivative financial instruments which have been measured at fair value.

Presentation of the financial statements

The consolidated and separate statements of financial position are presented in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes to the consolidated and separate financial statements.

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated and separate statements of financial position only when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset unless required or permitted by an accounting standard or interpretation.

The preparation of the consolidated and separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed in Note 4.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries) made up to 31 December each year. Control is achieved when the Bank:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Bank gains control until the date when the Bank ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

The choice of measurement is on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognized in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

(c) Interest income and expense

Under both IFRS 9, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost and financial instruments designated at FVPL. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9, similarly to interest bearing financial assets classified as available-for-sale or held to maturity under IAS 39, is also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

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

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the statement of financial position with an increase or reduction in interest income. The adjustment is subsequently amortized through interest and similar income in profit or loss.

Interest expense for interest-bearing financial liabilities is recognized in profit or loss using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Fees and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and service fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized in profit or loss over the period of the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognized over the commitment period on a straight-line basis.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Fees and commission expense which relates to borrowing arrangement costs are recognized as an expense in the period in which they are incurred.

(e) Interest income and expense

Under IFRS 9, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost and financial instruments designated at FVPL. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9, similarly to interest bearing financial assets classified as available-for-sale or held to maturity. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest expense for all interest-bearing financial liabilities is recognized in profit or loss at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(f) Dividend income

Dividends are recognized in profit or loss in 'other income' when the entity's right to receive payment is established.

(g) Translation of foreign currencies

The consolidated financial statements are presented in Tanzania shillings. For each entity in the Group, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Translation of foreign currencies (continued)

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Tanzanian shillings at the rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognized in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the closing rate.

(h) Financial assets

All financial assets are initially recognized on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss.

From 1 January 2018, the Group has applied IFRS 9 and classified its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); and
- Amortized cost.

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

Debt instruments

Debt instruments are those instruments that meet the definition of financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

The classification and subsequent measurement of financial assets depends on:

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

Based on these factors, the Group classifies its financial assets into one of the following three measurement categories.

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- **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. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in profit or loss within 'Other income' in the period in which it arises.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (Continued)

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 are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount is 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 is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Other income'.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group'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 Group 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.

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group 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.

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

Equity instruments

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

The Group subsequently measures all investments in equity instruments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group'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 Group's right to receive payments is established.

Derivative financial instruments

The Group trades in derivatives such as cross-currency swaps and forward foreign exchange contracts. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in profit or loss.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets including recent market transactions. A derivative is disclosed as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are disclosed as current assets or current liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (Continued)

Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognized in the consolidated and separate financial statements within provisions at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in profit or loss, and under IFRS 9 – an ECL provision. The premium received is recognized in profit or loss on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with a pre-specified term to the customer.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on the market terms, are not recorded in the consolidated and separate statements of financial position.

De-recognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Group also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition. The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset or
- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset, but assumes a contractual obligation to pay those cash flows to one or more entities, when all the following conditions have been met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.

- The Group cannot sell or pledge the original asset other than as security to the eventual recipients. The Group has to remit any cash flow it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

The Group has transferred substantially all the risks and rewards of the asset or

The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Group considers control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required the pay.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (Continued)

De-recognition of financial assets (Continued)

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on the asset that is measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. The Group renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default.

If the terms are substantially different, the Group 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 Group 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. A loan will remain at its original stage until it meets the criteria of cure as described in Note 3(k).

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition. The Group monitors the subsequent performance of modified assets until they are completely and ultimately derecognized. The Group may determine that the credit risk has significantly improved after modification, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms. Differences in the carrying amount are recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group 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). The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

(i) Financial liabilities

Financial liabilities are initially recognized at fair value plus transaction costs, except for financial liabilities recorded at fair value through profit or loss. Subsequent to initial recognition all financial liabilities other than derivatives are measured at amortized cost. Derivatives are initially recognized and subsequently measured at fair value.

Financial liabilities measured at amortized cost are deposits due to banks and customers, long term borrowings and senior debts and subordinated debts and other liabilities.

De-recognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the original financial liability and the consideration paid is recognized in profit or loss.

(j) Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements; therefore, the related assets and liabilities are presented gross in the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Classes of financial assets and liabilities

The Group classifies financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments as indicated below:

Category (as defined by IFRS 9)		Class (as determined by the Group)		Sub-class
Financial assets	Amortized cost	Loans and advances to banks		
		Loans and advances to customers	Personal loans	
			Over drafts	
			Commercial loans	
			Others	
		Other assets excluding prepayments		
		Investment in debt securities	Government securities	Treasury bills
				Treasury bonds
			Private bonds	Private bonds
				Subordinated bonds
	Fair value through profit or loss (FVTPL)	Derivatives financial assets		
		Government securities		Treasury bills
				Treasury bonds
	Fair value through other comprehensive income (FVOCI)	Equity investments designated at FVOCI	Equity investments - listed	
			Equity investments – not listed	
Financial liabilities	Financial liabilities at amortized cost	Deposits to banks		
		Term borrowings		
		Subordinated debt and senior loans		
		Other liabilities		
		Customer deposits	Current and demand deposits	
			Savings accounts	
			Fixed deposit accounts	
	Fair value through profit or loss (FVTPL)	Derivative financial liabilities		

(l) Impairment of financial assets

Overview of the ECL principles

The adoption of IFRS 9 has fundamentally changed the Group's loan loss impairment method by replacing the IAS 39 incurred loss approach to the forward looking ECL approach. The Group records the allowance for expected credit losses on loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts (financial instruments subject to ECL). Equity instruments are not subject to impairment under IFRS 9.

ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL) unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12-month ECL). The Group's policies for determining if there is significant increase in credit risks are set out in Note 6.1.3.

The 12-month ECL allowance is a portion of LTECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12-month ECL are calculated on individual or collective basis depending on the nature of underlying portfolio of financial instrument.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has significantly increased since initial recognition, by considering the change in the risk of default occurring over the remaining life of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of financial assets (continued)

Based on the above process, the Group classifies its financial instruments subject to ECL into Stage1, Stage 2, Stage 3 and POCI, as described below:

Stage 1:	When loans are first recognized, the Group recognizes an allowance based on the 12 months ECL. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include those facilities which have improved from Stage 3.
Stage 3:	Loans considered credit impaired. The Group records an allowance for the LTECLs.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on the credit adjusted EIR. ECLs are only recognized or released to the extent that there is subsequent change in the expected credit losses.

Calculation of ECLs

The Group calculates ECLs based on probability – weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below:

PD:	The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The probability at a point in time that a counterparty will default, calibrated over up to 12 months from the reporting date (Stage 1) or over the lifetime of the product (Stage 2) and incorporating the impact of forward-looking economic assumptions that have an effect on credit risk, such as interest rates, unemployment rates and GDP forecasts. The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.
EAD:	Exposure at default (EAD) is the total value which the Group is exposed to when a financial asset is in default. EAD takes into account the expected change in exposure over the lifetime of the exposure. This incorporates the impact of drawdowns of committed facilities, repayments of principal and interest, amortization and prepayments, together with the impact of forward-looking economic assumptions where relevant. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. • For amortized products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayment/refinance assumptions are also incorporated into the calculation. • 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 remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on an analysis of the Group's recent default data.
LGD:	The Loss Given Default (LGD) is an estimate of loss arising in the case where a default occurs at a given time. The loss that is expected to arise on default which represents the difference between the contractual cash flows due and those that the Group expects to receive. The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type. • 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 typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of financial assets (Continued)

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. The inputs and models used may not always capture all the characteristics of the markets at the reporting date, therefore qualitative adjustments may be made as temporary adjustments when such differences are significantly material. Refer to Note 6.1.3 for the explanation about forward-looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. are monitored and reviewed on an annual basis.

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

The mechanics of ECL methods are summarized as follows:

Stage 1	The 12m ECL is calculated as a proportion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12m ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12 – month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
Stage 2	When a loan has shown a significant increase in credit risk since origination, the Group records allowance for the LTECLs. The expected cash shortfalls are discounted by the original EIR. For the purposes of determining ECL, all facilities whose contractual payments are more than 30 days due but less than or equal to 90 days due are grouped in Stage 2 as they are taken to have experienced a significant increase in credit risk.
Stage 3	For loans considered credit –impaired, the Group recognizes the LTECL for these loans. The PD is set at 100%.
POCI	Are assets that are credit impaired on initial recognition. The Group recognizes the cumulative changes in lifetime ECL since initial recognition, based on a probability-weighted amount, discounted by the credit –adjusted EIR.
Loan commitments and letters of credit	When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ELCs are calculated and presented together with the loan. For loan commitments and letters of credit, the ELC is recognized within provisions.
Financial guarantee contracts	The Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in profit or loss, and the ECL provision. For this purpose, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The ECLs are recognized within provisions.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying amount.

Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Group only recognizes the cumulative changes in LTECL since initial recognition in the loss allowance.

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at fair value at FVOCI do not reduce the carrying amount of these financial assets in the consolidated and separate statements of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit or loss upon derecognition of the assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of financial assets (continued)

Credit cards and other revolving facilities

The Group offers retail overdrafts and credit cards facilities in which the Group has the right to cancel and / or reduce the facilities with one day's notice. The Group does not limit its exposures to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer's behavior, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities.

Definition of default

IFRS 9 does not define default but requires the definition to be consistent with the definition used for internal credit risk management purposes. However, IFRS 9 contains a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due. Under IFRS 9, the Group will consider a financial asset as 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event but instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding. Where the Group is unable to obtain qualitative information without undue cost or effort, the Group considers that default does not occur later than when a financial asset is 90 days past due.

Financial assets write off

Financial assets are written off either partially or in their entirety only when the Group does not reasonably expect to recover the asset. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to profit or loss.

The Group may write off financial assets in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include: (i) ceasing enforcement activity; and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full or there is no reasonable expectation of completing the recovery process because of litigation proceedings by the borrowers. The assessment is done per specific borrower.

Cure of non-performing financial assets including restructured loans

An instrument is considered to no longer be SICR or in default (i.e. to have cured) when it has been established that the obligor is able to meet the requirements of the agreed terms and conditions. IFRS 9 allows credit exposures to migrate from higher credit risk categories to lower credit risk categories, that is, from Stage 3 to Stage 2 and from Stage 2 to Stage 1.

Under migration from Stage 3 to Stage 2, the Group considers criteria for upgrade of credit accommodations as follows:

- In the case of overdraft facilities, the account has satisfactorily performed for a minimum period of two consecutive quarters; and
- In the case of term loans, the obligor has timely paid two consecutive installments.

These periods have been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions. The Group has not used the low credit risk exemption for any financial instruments in the current year.

On the other hand, credit exposures may migrate from Stage 2 to Stage 1 when there is a significant improvement of the credit exposure. In determining whether an exposure should shift backward from Stage 2 to Stage 1, the Group shall consider the following:

- All outstanding payments on the credit facility are made on time and there are no payments in arrears.
- There is improvement of the quantitative and qualitative factors that caused significant increase of the credit risk.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of financial assets (continued)

Definition of default (continued)

Upgrade from Stage 2 to Stage 1 shall be subject to a monitoring period of 90 days for conventional loans to confirm if the risk of default has decreased sufficiently before upgrading such exposure.

For credit exposures that have cured, that is, shifted from Stage 2 to Stage 1, interest income is calculated on carrying amount of the asset at the beginning of the period before allowance for ECLs using the effective interest rate. The carrying amount of the exposure shall be the amortised cost at the end of the period less the allowance for ECL computed. For credit exposures that have shifted from Stage 3 to Stage 2, objective evidence of impairment still exists and accordingly interest income is computed on the carrying amount of the asset at the beginning of the period after allowance for ECLs using the effective interest rate. The carrying amount of the exposure shall be the amortised cost at the end of the period less the allowance for ECL computed.

(m) Property and equipment

Property and equipment is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated on the straight-line basis to write down their cost to their residual values over their estimated useful lives, as follows:

Asset	*Applicable annual rate*
Buildings	4%
Leasehold premises	11%
Motor vehicles	25%
Office equipment	15% - 20%
Computer hardware	25%
Furniture and fittings	15%

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each reporting date and adjusted prospectively, if appropriate.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is 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 of disposal 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).

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in other income in profit or loss in the year the asset is derecognized.

(n) Intangible assets

The Group's intangible assets include the value of computer software licenses. An intangible asset is recognized only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Group. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic lives. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in operating expenses in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Intangible assets (Continued)

Amortization is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives at the rate of 25% per annum.

(o) Provisions

Provisions are recognized when the Group 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.

(p) Income tax

Income tax expense is the aggregate of the charge to profit or loss in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the applicable tax laws in the jurisdictions where the Group operates.

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

(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 maturities of three months or less, including: cash and balances with central banks that are not part of the statutory minimum reserves as defined in Note 17, Government Securities with original maturities of 90 days or less and loans and advances to banks.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits

Retirement contribution fund obligations

The Bank and all its employees contribute to the National Social Security Fund (NSSF), which is a defined contribution scheme. A defined contribution plan is a scheme under which the Bank pays fixed contributions into a separate entity (NSSF). The Bank has no legal or constructive obligation to pay further contributions if the Fund does not have sufficient assets to pay the employees post-employment benefits. Employees contribute 10% and the Bank also contributes 10% of the employees' basic salaries to the scheme.

In Comoro, the bank and all its employees are required to contribute to the Provident Fund (Caisse De Retraite) in Comores S.A, which is a defined contribution scheme. Employees contribute 3% of the basic salary of the employees and the bank contributes 5% to the scheme.

In Uganda, the bank and all its employees are required to contribute to the National Social Security Fund, which is a defined contribution scheme. Employees contribute 5% and the bank 10% of the employee's salary. The Group's contributions to the defined contribution schemes are charged to profit or loss in the year to which they relate.

Other entitlements

The estimated monetary liability for the employee accrued annual leave entitlement at the reporting date is recognized as an expense accrual.

(r) Share capital

Ordinary shares are classified as 'share capital' in equity.

(s) Dividends on distribution

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

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

(t) Accounting for leases

On adoption of IFRS 16, the Bank recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2020. For leases previously classified as finance leases the entity recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application respectively. The measurement principles of IFRS 16 are only applied after that date.

(u) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

(v) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Impairment of non-financial assets (continued)

If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Impairment losses relating to goodwill are not reversed in future periods. Impairment of non-financial assets is disclosed in Notes 24 and 27.

(w) Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. This involves recognising identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognized directly in profit or loss in the year of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash –generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with IFRS 8 Operating Segments.

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative fair values of the disposed operation and the portion of the CGU retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus associated cumulative translation differences, cash flow hedge and fair value reserves and goodwill is recognized in profit or loss.

(x) Non-current assets held for sale

Non-current assets and disposal group's classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations; or
- Is part of a single coordinated plan to dispose of a separate major line of business; or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale?

In the consolidated and separate statements of profit or loss and other comprehensive income for the reporting period, and the comparable period in the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Bank retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated and separate statements of profit or loss and other comprehensive income. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit, real estates, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded in the consolidated and separate statements of financial position. However, the fair value of collateral affects the calculations of ECL. It is generally assessed, at a minimum, at inception and re-assessed on a regular basis.

To the extent possible, the Group uses active market data for valuing financing assets held as collateral. Other financial assets which do not have a readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on external independent professional valuers.

(z) Collateral repossessed

The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying amount of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held-for-sale at the lower of their repossessed value or carrying amount of the original secured asset or fair value less cost to sell for non-financial assets.

In its normal course of business, the Group does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customer. Therefore, as a result, the residential properties under legal repossession process are not recorded in the consolidated and separate statements of financial position.

(aa) Fair value measurement

For financial instruments traded in active markets, the determination of fair value of financial assets and financial liabilities is based on market prices or dealer price quotations. This includes listed equity securities and debt instruments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If these criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

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

In cases when the fair value of unlisted equity instruments is determined using valuation techniques, the Group's policy is to carry the instruments at FVOCI. The valuation of unlisted equity instruments is done using valuation methods that are appropriate in the circumstances including the market valuation method or discounted cash flows method.

At each reporting date, management analyses the movements in the values of the assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. Management also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

(ab) Earnings per share

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

(ac) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Management Team, which is the chief operating decision maker. Details of the Group's segments are provided under Note 5.

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of consolidated and separate 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 Group's accounting policies. Estimates and judgements 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.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next period. All estimates and assumptions required are in conformity with IFRS and are the best estimates undertaken in accordance with the relevant standard.

(a) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by management. Changes in valuation assumptions could affect the reported fair value of the financial instruments. The impact on change in assumptions on the fair value and the carrying amount of the financial instruments is disclosed under Note 20.

(b) Determination of ECL allowances under IFRS 9

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement and estimations. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The elements of the ECL models that are considered accounting judgements and estimates are indicated below. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward-looking information

The evolving economic environment is a key determinant of the ability of a Group's clients to meet their obligations as they fall due. It is a fundamental principle of IFRS 9 that the provisions held against potential future credit risk losses should depend not just on the health of the economy today but should also take account of changes to the economic environment in the future. To capture the effect of changes to the economic environment in the future, the computation of probability of default (PD), loss given default (LGD) and so expected credit loss incorporates forward-looking information; assumptions on the path of economic variables and asset prices that are likely to have an effect on the repayment ability of the Group's clients. Such variables include inflation rate, GDP growth rate, interest rates, lending rate mortality rate and unemployment rate. Details on assumptions used are provided under Note 6.1.3.

Cure rate

Cure rate is a percentage of credit exposure accounts which were in default category, but as at assessment date have moved to a better category. Cure rate shall be factored in at the LGD level when assessing recovery rate. The rate reduces the percentage of LGD and is computed at the overall credit portfolio level. Consideration of movement of accounts is done annually. Qualitative criteria applied when checking whether the account has cured or not are those in line with Bank of Tanzania guideline on IFRS 9 implementation. Defaulted accounts which are assessed whether they have cured shall exclude accounts which have restructured or which have been charged off during the period.

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (CONTINUED)

Critical judgements in applying the Group's and the Bank's accounting policies

(a) Business model assessment

The business model reflects how the Group manages its assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the asset or to collect both 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 Group 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.

Refer to Notes 16, 17, 18, 19 and 21 for the carrying amounts of financial assets.

(b) Significant increase of credit risk

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Whether a change in the risk of default is significant or not is assessed using quantitative factors, that is, financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. Financial assets that are 30 or less days past due are considered to have low credit risk. The Group has determined that the quantitative factors reasonably reflect SICR and that, considering the nature of the Group's clients, consideration of qualitative factors would involve undue cost or effort. Refer to Notes 6.1 and 18 for further disclosures.

(c) Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change, there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differs. Refer to Notes 6.1 and 19 for further disclosures including the carrying amounts of loans and advances.

(d) Going concern assessment

The Directors have made an assessment of the Group's and the Bank's ability to continue as going concerns and are satisfied that the Group and the Bank have the resources to continue in business for the foreseeable future. Exim Bank Uganda Limited (the ''component'') continues to make losses. During the year, the Bank injected additional capital to ensure the component meets the statutory capital requirement. The Directors have assessed that the financial performance of the component does not have a material impact on the going concern status of the Group. The directors are not aware of any material uncertainties that may cast significant doubt upon the Group's and the Bank's ability to continue as going concerns. Therefore, the consolidated and separate financial statements continue to be prepared on the going concern basis.

(e) Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of the cash flows. Where the discounted cash flows method is not appropriate, other valuations techniques, like the market valuation approach, are used. Such valuation approaches involve benchmarking of observable market information with the valued cash generating unit's financial position and results, and applying premiums or discounts as appropriate.

The Group performed the annual impairment assessment at year-end. The Group considers the relationship between value in use and carrying amount of the asset, among other factors, when reviewing for indicators of impairment. Refer to Notes 3(v), 24 and 27 for the accounting policy on impairment of non-financial assets and details on the impairment assessment and carrying amounts of non-financial assets subject to impairment.

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (CONTINUED)

Critical judgements in applying the Group's and the Bank's accounting policies (continued)

(f) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise from a wide variety of issues, depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of the deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

For disclosures and details on tax and tax contingencies, refer to Notes 13 and 35 to the consolidated and separate financial statements.

(h) Useful lives of property and equipment, and intangible assets

The Group reviews the estimated useful lives of property and equipment, and intangible assets at the end of each annual reporting period. Factors considered while reviewing the useful lives and residual value of items of property and equipment include:

- The expected usage of the asset by the Group, which is assessed by reference to the asset's expected capacity;
- The expected physical wear and tear, which depends on operational factors, the repair and maintenance program of the Group, and the care and maintenance of the asset while idle;
- Technical or commercial obsolescence arising from changes in technology;
- Group's assets replacement cycle; and
- Legal or similar limits on the use of the asset, such as the expiry dates of related leases.

Refer to Notes 3(l) (m) and 22, 24 for further details.

5. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Head of the Group's Management Team (the Chief Executive Officer), who is responsible for allocating resources to the reportable segments and assessing their performance. All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

The Group has the following business segments based on products and services offered:

Name of the business segment	Services and products offered
Corporate Banking	Loans and other credit facilities, deposit and current accounts for corporate and institutional customers.
Retail Banking	Individual customer deposits, consumer loans and overdrafts.
Others	Card and Treasury products

The majority of the Group's segments' revenues are from interest and the Chief Executive Officer relies primarily on net interest revenue to assess the performance of the segment and make decisions about resources to be allocated to the segment. As such, for segment reporting, the Group reports segment interest revenue net of interest expense. The segment information provided to the Chief Executive Officer for reportable segments is as follows (all amounts in TZS 'Million):

Year ended 31 December 2021	Corporate	Retail	Others	Total
Segmental profit or loss				
Net interest income	48,219	38,198	18,842	105,259
Impairment charge	(4,836)	(556)	(6)	(5,398)
Fee, commission and other income	30,361	19,165	16,940	66,466
Staff costs	(16,061)	(22,323)	(8,364)	(46,748)
Other expenses	(19,037)	(24,655)	(9,936)	(53,628)
Depreciation and amortization	(4,578)	(10,934)	(4,446)	(19,958)
Operating profit	**34,068**	**(1,105)**	**13,030**	**45,9923**
Income tax expense	(13,290)	45	(6,012)	(19,257)
Net (loss)/profit for the year	**20,778**	**(1,060)**	**7,018**	**26,736**
Segment assets, liabilities and equity				
Total assets	**1,018,381**	**74,485**	**1,002,332**	**2,095,198**
Total liabilities and equity	**370,230**	**873,450**	**851,518**	**2,095,198**
Non-performing assets	**89,226**	**3,680**	**-**	**92,906**
Non -Current assets				**985,586**

There were no additions to non-current assets specifically allocated to the segments.

5. SEGMENT REPORTING (CONTINUED)

Year ended 31 December 2020	Corporate	Retail	Others	Total
Segmental profit or loss				
Net interest income	45,101	34,460	19,663	99,224
Impairment release	1,812	(5)	(1,733)	74
Fee, commission and other income	22,137	17,992	19,389	59,518
Staff costs	(13,432)	(31,341)	(11,193)	(55,966)
Depreciation and amortization	(4,515)	(6,942)	(9,032)	(20,489)
Other expenses	(12,325)	(28,757)	(11,486)	(52,568)
Operating profit	**38,778**	**(14,593)**	**5,608**	**29,793**
Income tax expense	(18,062)	6,798	(2,637)	(13,901)
Net (loss)/profit for the year	**20,716**	**(7,795)**	**2,971**	**15,892**
Segment assets, liabilities and equity				
Total assets	1,007,935	87,724	868,751	1,964,410
Total liabilities and equity	575,519	864,620	524,271	1,964,410
Non-performing assets	72,860	3,834	-	76,694

There were no additions to non-current assets specifically allocated to the segments.

5. SEGMENT REPORTING (CONTINUED)

Geographical information

The Group operates in four geographical markets; Tanzania, Uganda, Comores S.A and Djibouti. The following table shows the distribution of the Group's net operating income and non- current assets allocated based on the location of the customers and assets respectively for the years ended 31 December 2021 and 31 December 2020. All balances are in TZS' Million.

Year ended 31 December 2021	Tanzania	Comoro	Djibouti	Uganda	Core Securities	Elimination adjustments	Total
Interest and similar income	104,143	7,880	16,757	19,344	-	(1,330)	146,794
Interest expense and similar charges	(34,063)	(483)	(1,578)	(6,712)	(155)	1,330	(41,661)
Net interest income	70,080	7,397	15,179	12,632	(155)	-	105,133
Expected credit loss	(1,690)	(2,907)	(30)	(1,314)	-	-	(5,941)
Net interest income after loan impairment charge	**68,390**	**4,490**	**15,149**	**11,318**	**(155)**	**-**	**99,502**
Other external operating income	32,828	13,695	8,292	3,928	584	(2,074)	57,253
Intra-group management fees	231	-	-	-	-	-	231
Total external operating income	**101,449**	**18,185**	**23,441**	**15,246**	**429**	**(2,074)**	**156,676**
Non- current assets	**652,795**	**31,565**	**23,441**	**81,365**	**331**	**-**	**789,497**
Interest and similar income	107,134	7,880	16,757	19,344	-	-	151,115

Year ended 31 December 2020	Tanzania	Comoro	Djibouti	Uganda	Core Securities	Elimination adjustments	Total
Interest and similar income	104,143	7,880	16,757	19,344		-1,423	146,701
Interest expense and similar charges	-34,063	-483	-1,470	-6,712	-137	1,423	-41,442
Net interest income	**70,080**	**7,397**	**15,287**	**12,632**	**-137**		**105,259**
Expected credit loss	-1,690	-2,989	527	-1,220	-26	-	-5398
Net interest income after loan impairment charge	68,390	4,408	15,814	11,412	-163		99,861
Other external operating income	39,767	13,954	7,030	5,288	2,271	-1,843	66,466
Intra-group management fees	231	-	-	-	-	-231	
Total external operating income	**108,388**	**18,362**	**22,844**	**16,700**	**2,108**	**-2,074**	**166,327**
Non- current assets	**707,238**	**48,414**	**78,736**	**72,738**	**114**	**(28,261)**	**879,979**
Interest and similar income	108,388	18,362	22,844	16,700	2,108	-2,074	166,328

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The Board (the "Board") has overall responsibility for the establishment and oversight of the Group's risk management framework. As part of its governance structure, the Board has embedded a comprehensive risk management framework for identifying, measuring, controlling (setting risk mitigations) and monitoring of the Group's risks. The policies are integrated in the overall management information systems of the Group and supplemented by a management reporting structure. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. In addition, internal audit is responsible for independent review of risk management and the control environment.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees / stakeholders understand their roles and obligations. The Board's Credit Committee, Risk Management Committee and Audit Committee are responsible for monitoring compliance with the Group's risk management policies and procedures, and review of the adequacy of risk management framework in relation to the risks faced by the Group. These committees are assisted in these functions by various management committees which undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

The most important risks are credit risk, liquidity risk and market risk. The notes below provide detailed information on each of these risks and the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

6.1 Credit risk

The Group and the Bank take on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Group and the Bank by failing to discharge an obligation. Credit risk is one of the most important risks for the Group's and the Bank's business. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from lending activities that lead to loans and advances, investment activities that bring debt securities and other bills in the Group's and Bank's assets portfolio. There is also credit risk in the off-balance sheet financial instruments, such as loan commitments, letters of credit and guarantees. Credit risk management and control is centralized under the credit risk management team which reports to the Board regularly.

6.1.1 Credit risk measurement

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the Group reflects three components: (i) the PD by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group derives the EAD; and (iii) the likely recovery ratio on the defaulted obligations (LGD). EAD is based on the amounts the Group expects to be owed at the time of default. These credit risk measurements, which reflect expected loss are embedded in the credit risk management process and are in line with IFRS 9.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.1 Credit risk measurement (continued)

The Group uses reasonable and supportable forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. External and internal information is used to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The key drivers of credit risks and credit losses for each portfolio of financial instruments are identified and documented and using a statistical analysis of historical data to estimate relationships between macro-economic variables and credit risk and credit losses.

The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty in line with the Bank of Tanzania (BOT) guidelines. Customers are segmented into five rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

Group's Rating	Description of the grade	Number of days outstanding	Equivalent IFRS 9 grading
1	Current	0 - 30	Stage 1
2	Especially mentioned	31 - 90	Stage 2
3	Sub-standard	91 - 180	Stage 3
4	Doubtful	181 - 360	Stage 3
5	Loss	>360	Stage 3

Exposure at default is based on the amounts the Group expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Group includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

6.1.2 Risk limit control and mitigation policies

The Group manages limits and controls concentrations of credit risk whenever they are identified, in particular, to individual counterparties and groups, and to industries. The Group 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. The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.2 Risk limit control and mitigation policies (continued)

Collateral

The Group 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 Group 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 property, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Longer-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. The outstanding balances and collaterals held by the Group and Bank as at 31 December 2021 and 1 December 2020 against credit non-performing loans and advances to customers were as indicated below:

Group (Amounts in TZS M)	Gross exposure	Impairment allowance	Carrying amount	Market Value of Collateral
At 31 December 2021				
Loans to individuals:				
- Personal loans	6,273	1,320	4,345	9,789
- Commercial loans	21,138	1,518	15,921	60,367
Loans to corporate entities:				
- Corporate customers	64,757	7,403	52,836	133,681
- SMEs	739	129	610	1,208
Total	**92,907**	**10,370**	**73,712**	**205,045**
At 31 December 2020				
Loans to individuals:				
- Personal loans	2,385	2,100	285	4,775
- Commercial loans	29,049	12,120	16,929	135,540
Loans to corporate entities:				
- Corporate customers	44,896	683	44,213	141,094
- SMEs	363	5	358	3,158
Total	**76,693**	**14,908**	**61,785**	**284,567**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.2 Risk limit control and mitigation policies (continued)

Collateral (continued)

(Amounts in TZS M)	Gross exposure	Impairment allowance	Carrying amount	Market Value of Collateral
At 31 December 2021				
Loans to individuals:				
- Personal loans	1,441	463	978	2,342
- Commercial loans				
Loans to corporate entities:				
- Corporate customers	47,585	4,106	43,479	93,357
- SMEs	274	49	225	889
Total	**49,300**	**4,618**	**44,682**	**96,588**
At 31 December 2020				
Loans to individuals:				
- Personal loans	1,684	661	1,023	3,851
- Commercial loans	20,583	3,814	16,769	109,305
Loans to corporate entities:				
- Corporate customers	31,812	215	31,597	113,784
- SMEs	255	3	252	2,547
Total	**54,334**	**4,693**	**49,641**	**229,487**

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

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 on behalf of a customer authorizing a third party to draw drafts on a bank within the Group 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 a direct loan.

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 Group 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 Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Details of outstanding credit–related commitments are in Notes 36.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.2 Risk limit control and mitigation policies (Continued)

Lending limits (for derivatives and loan book)
The Group maintains strict control limits on net derivative positions (i.e., difference between purchases and sales contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Group (i.e., assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties. Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

6.1.3 Expected credit loss measurement
The Group adopted IFRS 9 from 1 January 2018 which outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

A financial instrument that is not credit –impaired on initial recognition is classified in 'Stage 1' and has credit risk continuously monitored by the Group.

If a significant increase in credit risk ('SICR') since recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. If the financial asset is credit-impaired, the financial instrument is then moved to 'Stage 3'. Financial instrument in Stage 1 have their ECL measured at an amount equal to the portion of a lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 and 3 have their ECL measured based on expected credit losses on a life time basis.

A pervasive concept in measuring ECL in accordance with IFRS9 is that it should consider forward-looking information. Purchased or originated credit – impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The following sections describe how the Group defines when a significant increase in credit risk has occurred; how the Group defines credit –impaired and default; inputs and assumptions and estimation techniques used in measuring the ECL; and how the Group incorporates forward looking information in the ECL models.

6.1.3.1 Significant increase in credit risk (SICR)

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria or back stops have been met:

Qualitative criteria

For retail portfolios, if the borrower meets one or more of the following criteria:

- In short–term forbearance;
- Direct debit cancellation;
- Extension to the terms granted; or
- Previous arrears within the last 12 months.

For corporate and treasury portfolios, if the borrower is on the Watch-list and / or the instrument meets one or more of the following criteria:

- Significant increase in credit spread;
- Significant adverse changes in business, financial and /or economic conditions in which the borrower operates;
- Actual or expected forbearance or restructuring;

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3 Expected credit loss measurement(Continued)

6.1.3.1 Significant increase in credit risk (Continued)

- Actual or expected significant adverse change in operating results of the borrower;
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default; or
- Early signs of cash flows / liquidity problems such as delay in servicing of trade creditors / loans.

The assessment of SICR incorporates forward-looking information. This is performed on a quarterly basis at a portfolio level for all Retail financial instruments. In relation to wholesale and treasury financial instruments, where a watch-list is used to monitor credit risk, this assessment is performed at the counterparty level on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the credit team.

Backstops
A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on contractual payments.

The Group has not used the low credit risk exemption for any financial instruments during the year. The Group applied back stops in assessing SICR during the year as applying other quantitative factors or qualitative factors was found to involve undue cost or effort.

6.1.3.2 Definition of default and credit - impaired assets

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

Quantitative 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:

- The borrower is in long term forbearance;
- The borrower is deceased;
- The borrower is insolvent;
- The borrower is in breach of financial covenant(s);
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the borrower's financial difficulty;
- It is becoming probable that the borrower will enter bankruptcy; or
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The Group applied the quantitative criteria during the year as this was deemed to be more prudent. The criteria have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Group's expected loss computations.

6.1.3.3 Measuring ECL
ECL is measured on either a 12 –month (12M) or Lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit –impaired. Expected credit losses are the discounted product of the PD, EAD and LGD as detailed in Note 2(k). Forward - looking economic information is also included in determining both 12-month and lifetime PD, EAD and LGD. The table below table shows PD distribution with estimates computed at sector level:

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3 Expected credit loss measurement (continued)

6.1.3.3 Measuring ECL (Continued)

Description of Risk	Stage allocation	Past due days	Probability of Default*
High risk	Stage 3	>= 90 days	100%
Moderate risk	Stage 2	>30 days up to 90 days	15.0%-94.24%
Low risk	Stage 1	0-30 days	0%- 58.90%

**PD estimated at sector level*

6.1.3.4 Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward looking information. The Group has performed historical analysis and has identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and associated impact on PD, EAD, and LGD vary by financial instrument. The Group has utilized analysis of historical default rates in the absence of internal rating model or behavior score.

6.1.3.5 Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modeled on a collective basis, a grouping of exposure is performed on the basis of shared risk characteristics, such that risk exposures within the group are homogeneous. Refer to Note 4 for further disclosures on the grouping of exposures.

6.1.3.6 Stage allocation.

The Group, in accordance with IFRS 9, has adopted the 3 stage classifications when determining changes in impairments and estimation of ECL as detailed in Note 3(L). Currently, the Group stages credit exposures using backstops.

6.1.3 Expected credit losses on loans and advances to customers by class

The table below shows the profile of the loans and advances to customers analysed according to the internal grading system.

	Group				Bank			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Expected Credit Loss	12 - Month	Lifetime	Lifetime		12 - Month	Lifetime	Lifetime	
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
As at 31 December 2021								
Current	821,749	152,811	-	974,560	453,454	106,823	-	560,277
Especially mentioned			-		-	-	-	-
Substandard		69,881	15,797	85,678	-	70,165	15,115	85,280
Doubtful		4,486	23,142	27,628	-	4,485	22,482	26,967
Loss	-	12	53,967	53,979	-	12.84	11,703	11,716
Gross carrying amount	**821,749**	**227,190**	**92,906**	**1,141,845**	**453,454**	**181,486**	**49,300**	**684,240**
Less Expected credit loss	7,503	10,057	10,371	27,932	5,412	9,289	4,618	19,318
Net loans and advances to customers	**813,246**	**217,133**	**82,535**	**1,113,913**	**448,042**	**172,197**	**44,682**	**664,922**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3 Expected credit losses on loans and advances to customers by class (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and advances to customers was as follows:

	Group				Bank			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Expected Credit Loss	12 - Month	Lifetime	Lifetime		12 - Month	Lifetime	Lifetime	
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
As at 31 December 2020								
Current	781,990	186,130	-	968,120	420,899	186,129	-	607,028
Especially mentioned	-	23,184	-	23,184	-	-	-	-
Substandard	-	68,164	13,940	82,104	-	68,164	13,940	82,104
Doubtful	-	-	26,674	26,674	-	-	26,674	26,674
Loss	-	-	36,080	36,080	-	-	13,730	13,730
Gross carrying amount	**781,990**	**277,478**	**76,694**	**1,136,162**	**420,899**	**254,293**	**54,344**	**729,536**
Less Expected credit loss	9,654	16,318	14,908	40,880	8,899	16,016	4,693	29,608
Net loans and advances to customers	**772,336**	**261,160**	**61,786**	**1,095,282**	**412,000**	**238,277**	**49,651**	**699,928**

	Group			Total	Bank			Total
Gross Carrying Amount	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
At 1 January	781,990	277,478	76,694	1,136,162	420,899	254,293	54,344	729,536
Changes in the gross carrying amount	-	-						
-Transfer to stage 1	23,775	(22,120)	(1,655)	-	2,115	(2,074)	(41)	-
-Transfer to stage 2	(8,615)	9,177	(562)	-	(4,262)	4,655	(393)	-
-Transfer to stage 3	(1,858)	(296)	2,154	-	(16)	-	16	-
New financial assets originated or purchased	232,591	3,402	307	236,300	67,093	326	162	67,581
Financial assets that have been derecognized	(150,752)	(14,075)	(2,828)	(167,655)	(74,232)	(581)	(1,324)	(76,137)
Write-offs	-	-	(19,010)	(19,010)			(12,310)	(12,310)
Other changes	(55,382)	(26,376)	37,806	(43,951)	41,857	(75,133)	8,846	(24,429)
At 31 December	**821,749**	**227,190**	**92,906**	**1,141,845**	**453,454**	**181,486**	**49,300**	**684,240**
Expected credit loss								
At 1 January	9,654	16,319	14,907	40,880	7,294	16,016	4,693	**28,003**
Change in the allowance	-	-	-	-				
-Transfer to stage 1	5,790	(1,649)	(4,141)	-	2,985	(638)	(2,346)	-
-Transfer to stage 2	(87)	7,164	(7,077)	-	(78)	7,041	(6,963)	-
-Transfer to stage 3	(16)	(1,092)	1,108	-	(1)	-	1	-
-Write-off	-	-	(19,010)	(19,010)			(12,310)	(12,310)
New financial assets originated or purchased	3,630	192	(150)	3,672	2,595	111	49	2,755
Financial assets that have been derecognized	(3,193)	(8)	(210)	(3,411)	(3,178)	(8)	(161)	(3,348)
Other changes	(8,274)	(10,869)	24,944	5,801	(4,204)	(13,233)	21,654	4,217
At 31 December	**7,504**	**10,057**	**10,371**	**27,932**	**5,413**	**9,289**	**4,617**	**19,317**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Expected credit losses on loans and advances to customers by class (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and advances to customers was as follows:

	Group				Bank			
	2020				2020			
Gross carrying amount	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
At 1 January	728,204	118,382	185,245	1,031,831	514,914	89,731	161,925	766,570
Changes in the gross carrying amount								
- Transfer to stage 1	765	(253)	(512)	-	766	(164)	(602)	-
- Transfer to stage 2	(65,382)	71,570	(6,188)	-	(61,921)	63,571	(1,650)	-
- Transfer to stage 3	(224)	(507)	731	-	(170)	(580)	750	-
New financial assets originated or purchased	56,789	7,743	686	65,218	35,070	7,190	458	42,718
Financial assets that have been derecognized	(43,438)	(2,881)	(11,918)	(58,237)	(43,438)	(2,881)	(11,918)	(58,237)
Write-offs	-	-	(31,630)	(31,630)	-	-	(31,630)	(31,630)
Other changes	105,276	83,424	(59,720)	128,980	(24,322)	97,426	(62,989)	10,115
At 31 December	**781,990**	**277,478**	**76,694**	**1,136,162**	**420,899**	**254,293**	**54,344**	**729,536**
Expected credit loss								
At 1 January	8,719	11,771	50,356	70,846	10,280	6,542	41,003	57,825
Change in the allowance								
-Transfer to stage 1	659	(634)	(25)	-	659	(633)	(26)	-
-Transfer to stage 2	(9,271)	4,408	4,863	-	(5,561)	14,358	(8,797)	-
-Transfer to stage 3	(340)	(8)	348	-	(340)	(8)	348	-
-Write-off	-	-	(39,764)	(39,764)			(31,630)	(31,630)
New financial assets originated or purchased	1,877	41	117	2,035	918	41	106	1,065
Financial assets that have been derecognized	(765)	(1,353)	(11,918)	(14,036)	(765)	(1,354)	(11,918)	(14,037)
Other changes	8,775	2,094	10,930	21,799	3,708	(2,930)	15,607	16,385
At 31 December	**9,654**	**16,319**	**14,907**	**40,880**	**8,899**	**16,016**	**4,693**	**29,608**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (Continued)

6.1.4 Expected credit losses on loans and advances to customers by class (Continued)

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:

	Group				Bank			
	2021		2020		2021		2020	
On balance sheet exposures	TZS 'M'	%	TZS 'M'	%	TZS 'M'	%	TZS 'M'	%
Balances with central banks	250,172	12.83%	247,373	13.87%	83,249	6.77%	67,151	5.96%
Loans and advances to banks	208,164	10.67%	76,292	4.28%	151,307	12.30%	33,833	3.00%
Loans and advances to customers								
- Personal loans	109,236	5.60%	78,184	4.38%	31,504	2.56%	40,219	3.57%
- Commercial loans	338,600	17.36%	164,465	9.22%	170,852	13.89%	104,534	9.28%
- Corporate customers	661451	33.92%	750,501	42.09%	457,940	37.20%	488,674	43.39%
- SMEs	4,626	0.26%	102,132	5.73%	4,626	0.38%	66,501	5.90%
Government securities: At amortized cost	125,666	6.44%	172,529	9.68%	107,117	8.71%	162,313	14.41%
Government securities: FVTPL	98,143	5.03%	98,248	5.51%	97,942	7.96%	98,089	8.72%
Government securities: FVTOCI	117,251	6.01%	53,419	3.00%	117,251	9.53%	53,419	4.74%
Bonds - at amortised cost	20,534	1.05%	29,301	1.64%	1,784	0.15%	5,122	0.46%
Other assets (excluding prepayments)	16,207	0.83%	10,682	0.60%	6,548	0.55%	6,457	0.57%
	1,950,050	100%	1,783,126	100%	1,230,120	100%	1,126,312	100%

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (Continued)

6.1.4 Expected credit losses on loans and advances to customers by class

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

	Group		Bank	
	2021	2020	2021	2020
Off balance sheet exposures	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
Undrawn commitments	64,058	86,333	55,212	47,809
Acceptances and letters of credits	76,268	59,513	64,145	57,424
Financial guarantees	78,294	77,679	56,273	55,650
Gross carrying amount	**218,620**	**223,525**	**175,630**	**160,883**
Loss allowance	(455)	(524)	(105)	(458)
Net carrying amount	**218,165**	**223,001**	**175,525**	**160,425**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Concentration of risks of financial assets with credit risk exposure

The following table includes an analysis of the Bank's maximum credit risk exposure at the carrying amounts of the financial assets, as categorised by industry sectors as of 31 December 2021 (All balances are in TZS' Million):

(a) Industry sectors

Group	Financial institution	Manu-facturing	Trading and commercial	Transport and communication	Agriculture	Individuals	Others	Total
	TZS 'M'		TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
Balances with Central Banks	249,783	-	-	-	-	-	389	250,172
Loans and advances to banks	207,703	-	-	-	-	-	461	208,164
Government securities - at amortized cost	125,666	-	-	-	-	-	-	125,666
Government securities – FTVPL	98,143							98,143
Government securities: FVTOCI	117,251	-	-	-	-	-	-	117,251
Corporate Bonds: at amortized cost	20,534							20,534
Loans and advances to customers:	-	-	-	-	-	-	-	-
Loans to individuals:								-
- Personal loans	-	21,317	-	-	20,048	59,503	8,367	109,236
- Commercial loans	-	83,467	43,578	491	20,867	26,263	163,934	338,600
Loans to corporate entities:	-	-	-	-	-	-	-	-
- Corporate customers	-	179,941	184,941	83,037	21,611	8,135	183,786	661,451
- SMEs	-	-	-	-	4,613	-	13	4,626
Other assets less prepayments	-	-	-	-	-	-	16,207	16,207
At 31 December 2021	**819,080**	**284,725**	**228,519**	**83,528**	**67,139**	**93,901**	**373,157**	**1,950,050**
Off -balance sheet exposures								
Financial guarantees and acceptances	30,295	13,162	21,526	889	4,412	-	83,822	154,106
Loan commitments and other credit related obligations		3,121	20,147	479	1,725	-	38,587	64,059
At 31 December 2021	**30,295**	**16,283**	**41,673**	**1,368**	**6,137**	**-**	**122,409**	**218,165**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Concentration of risks of financial assets with credit risk exposure (Continued)

The following table includes an analysis of the Bank's maximum credit risk exposure at the carrying amounts of the financial assets, as categorised by industry sectors as of 31 December 2020 (All balances are in TZS' Million):

(a) Industry sectors (Continued)

Group	Financial institution	Manu-facturing	Trading and commercial	Transport and communication	Agriculture	Individuals	Others	Total
	TZS 'M'		TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
On-balance sheet exposures								
Balances with Central Banks	247,373	-	-	-	-	-	-	247,373
Loans and advances to banks	76,292	-	-	-	-	-	-	76,292
Government securities - at amortized cost	172,529	-	-	-	-	-	-	172,529
Government securities – FTVPL	98,248							98,248
Government securities: FVTOCI	53,419	-	-	-	-	-	-	53,419
Corporate Bonds: at amortized cost	29,301							29,301
Loans and advances to customers:	-	-	-	-	-	-	-	
Loans to individuals:								
- Personal loans	-	-	-	-	-	78,184	-	78,184
- Commercial loans	-	-	-	-	-	164,465	-	164,465
Loans to corporate entities:								
- Corporate customers	-	161,519	201,402	121,702	107,073	-	158,805	750,501
- SMEs	1,647	291	568	220	193	129	99,084	102,132
Other assets less prepayments	-	-	-	-	-	-	10,682	10,682
At 31 December 2020	**678,809**	**161,810**	**201,970**	**121,922**	**107,266**	**242,778**	**268,571**	**1,783,126**
Off -balance sheet exposures								
Financial guarantees and acceptances	19,660	45,371	38,547	10,056	3,271	2,369	17,597	136,871
Loan commitments and other credit related obligations	65,314	2,707	5,274	2,039	1,794	1,204	7,798	86,130
At 31 December 2020	**84,974**	**48,078**	**43,821**	**12,095**	**5,065**	**3,573**	**25,395**	**223,001**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6. 1 Credit risk (Continued)

6.1.4 Concentration of risks of financial assets with credit risk exposure (Continued)

The following table includes an analysis of the Bank's maximum credit risk exposure at the carrying amounts of the financial assets, as categorised by industry sectors as of 31 December 2021 (All balances are in TZS' Million):

(a) Industry sectors (Continued)

Bank	Financial institution	Manu-facturing	Trading and commercial	Transport and communication	Agriculture	Individuals	Others	Total
	TZS 'M'		TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
On-balance sheet exposures								
Balances with Central Banks	83,249	-	-	-	-	-	-	83,249
Loans and advances to banks	151,307	-	-	-	-	-	-	151,307
Government securities - at amortized cost	107,117	-	-	-	-	-	-	107,117
Government securities – FTVPL	97,942	-	-	-	-	-	-	97,942
Government securities: FVTOCI	117,251	-	-	-	-	-	-	117,251
Corporate Bonds: at amortized cost	1,784	-	-	-	-	-	-	1,784
Loans and advances to customers:		-	-	-	-	-	-	-
Loans to individuals:		-	-	-	-	-	-	-
- Personal loans	-	-	-	-	-	31,504	-	31,504
- Commercial loans	-	-	-	-	-	18,599	152,253	170,852
Loans to corporate entities:								-
- Corporate customers	-	84,841	127,568	77,491	21,611	-	146,430	457,940
- SMEs	-	-	-	-	4,626	-		4,626
Other assets less prepayments	-	-	-	-	-	-	6,548	6,548
At 31 December 2021	**558,650**	**84,841**	**127,568**	**77,491**	**26,237**	**50,103**	**305,232**	**1,230,120**
Financial guarantees and acceptances	30,295	13,162	9,403	889	4,412	-	62,152	120,313
Loan commitments and other credit related obligations	-	3,121	18	2	1,725	-	50,347	55,212
At 31 December 2021	**30,295**	**16,283**	**9,421**	**891**	**6,137**	**-**	**112,499**	**175,525**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6. 1 Credit risk (Continued)
6.1.4 Concentration of risks of financial assets with credit risk exposure (Continued)
(a) Industry sectors (Continued)

The following table includes an analysis of the Bank's maximum credit risk exposure at the carrying amounts of the financial assets, as categorised by industry sectors as of 31 December 2020 (All balances are in TZS' Million):

Bank	Financial institution	Manu-facturing	Trading and commercial	Transport and communication	Wholesale and retail trade	Agriculture	Individuals	Others	Total
	TZS 'M'		TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
On-balance sheet exposures									
Balances with Central Banks	67,151	-	-	-	-	-	-	-	67,151
Loans and advances to banks	33,833	-	-	-	-	-	-	-	33,833
Government securities - at amortized cost	162,313	-	-	-	-	-	-	-	162,313
Government securities – FTVPL	98,089								98,089
Government securities: FVTOCI	53,419	-	-	-	-	-	-	-	53,419
Corporate Bonds: at amortized cost	5,122								5,122
Loans and advances to customers:	-	-	-	-	-	-	-	-	
Loans to individuals:									
- Personal loans	-	-	-	-	-	-	40,219	-	40,219
- Commercial loans	-	-	-	-	-	-	104,534	-	104,534
Loans to corporate entities:									
- Corporate customers	-	90,518	97,175	68,204	88,997	60,006	-	83,775	488,675
- SMEs	-	-	-	-	-	-	-	66,501	66,501
Other assets less prepayments	-	-	-	-	-	-	-	6,457	6,457
At 31 December 2020	**419,927**	**90,518**	**97,175**	**68,204**	**88,997**	**60,006**	**144,753**	**156,733**	**1,126,313**
Credit risk exposures relating to off-balance sheet items are as follows:									
Financial guarantees and acceptances	59,541	34,803	17,725	-	-	-	-	1,006	113,075
Loan commitments and other credit related obligations	720	5,317	17,520	8,780	18	2,147	1,616	11,691	47,809
At 31 December 2020	**60,261**	**40,120**	**35,245**	**8,780**	**18**	**2,147**	**1,616**	**12,697**	**160,884**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (Continued)
6.1.4 Concentration of risks of financial assets with credit risk exposure (Continued)
(b) Geographical sectors

	(Amounts are in TZS' M')				
Group	Tanzania	Europe	America	Other African countries	Total
Credit risk exposures relating to on-balance sheet assets are as follows:					
At 31 December 2021					
Balances with Central Banks	83,249	-		166,923	250,172
Loans and advances to banks	46,534	42,874	112,901	5,855	208,164
Government securities – At amortized cost	107,117	-		18,549	125,666
Government securities: FVTPL	97,942	-		201	98,143
Government securities: FVTOCI	117,251	-		-	117,251
Bonds: Debt securities at amortized cost	1,784	-		18,750	20,534
Loans and advances to customers:	-	-		-	
Loans to individuals:	-	-		-	
- Personal loans	31,504	-	-	77,732	109,236
- Commercial loans	170,852	-	-	167,748	338,600
Loans to corporate entities:	-			-	
- Corporate customers	457,940	-	-	203,511	661,451
- SMEs	4,626	-	-	-	4,626
Other assets less prepayments	6,725			9,482	16,207
At 31 December 2021	**1,125,524**	**42,874**	**112,901**	**668,751**	**1,950,050**
Credit risk exposures relating to off-balance sheet items are as follows:					
Financial guarantees and acceptances	120,314			33,793	154,107
Loan commitments and other credit related obligations	55,212			8,846	64,058
At 31 December 2021	**175,526**			**42,639**	**281,165**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (Continued)

6.1.4 Concentration of risks of financial assets with credit risk exposure-Group (Continued)
(b) Geographical sectors

	(Amounts are in TZS' M')				
Group	Tanzania	Europe	America	Other African countries	Total
Credit risk exposures relating to on-balance sheet assets are as follows:					
At 31 December 2020					
Balances with Central Banks	67,151	-	-	180,222	247,373
Loans and advances to banks	11,899	19,877	40,038	4,478	76,292
Government securities – At amortized cost	162,313	-	-	10,216	172,529
Government securities: FVTPL	98,089	-	-	159	98,248
Government securities: FVTOCI	53,419				53,419
Bonds: Debt securities at amortized cost	29,301	-	-	-	29,301
Loans and advances to customers:					
Loans to individuals:					
- Personal loans	40,219	-	-	37,965	78,184
- Commercial loans	104,534	-	-	59,931	164,465
Loans to corporate entities:				-	-
- Corporate customers	488,674	-	-	261,827	750,501
- SMEs	66,501	-	-	35,631	102,132
Other assets less prepayments	6,457	-	-	4,225	10,682
At 31 December 2020	**1,128,557**	**19,877**	**40,038**	**594,654**	**1,783,126**
Credit risk exposures relating to off-balance sheet items are as follows:					
Financial guarantees and acceptances	136,871	-	-	-	136,871
Loan commitments and other credit related obligations	86,130	-	-	-	86,130
At 31 December 2020	**223,001**	-	-	-	**223,001**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (Continued)
6.1.4 Concentration of risks of financial assets with credit risk exposure-Group (Continued)
(b) Geographical sectors (Continued)

	(Amounts are in TZS' M')				
Bank	Tanzania	Europe	America	Other African countries	Total
On balance sheet assets					
At 31 December 2021					
Balances with Central Banks	83,249	-	-	-	83,249
Loans and advances to banks	37,620	29,569	82,741	1,377	151,307
Government securities – At amortized cost	107,117				107,117
Government securities: FVTPL	97,942				97,942
Government securities: FVTOCI	117,251				117,251
Bonds: Debt securities at amortized cost	1,784				1,784
Loans and advances to customers:					-
Loans to individuals:					-
- Personal loans	31,504	-	-	-	31,504
- Commercial loans	170,852	-	-	-	170,852
Loans to corporate entities:					-
- Corporate customers	457,940	-	-	-	457,940
- SMEs	4,626	-	-	-	4,626
Other assets less prepayments	6,548			-	6,548
At 31 December 2021	**1,116,433**	**29,569**	**82,741**	**1,377**	**1,230,120**
Credit risk exposures relating to off-balance sheet items are as follows:					
Financial guarantees and acceptances	120,313	-	-	-	120,313
Loan commitments and other credit related obligations	55,212	-	-	-	55,212
At 31 December 2021	**175,525**	-	-	-	**175,525**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (Continued)

6.1.4 Concentration of risks of financial assets with credit risk exposure-Group (Continued)

(Amounts are in TZS' M')

Bank	Tanzania	Europe	America	Other African countries	Total
Credit risk exposures relating to on-balance sheet assets are as follows:					
Balances with Central Banks	67,151	-	-	-	67,151
Loans and advances to banks	-	5,544	10,785	17,504	33,833
Government securities - At amortized cost	162,313	-	-	-	162,313
Government securities - held for trading	98,089	-	-	-	98,089
Government securities: FVTOCI - Available for sale	53,419	-	-	-	53,419
Bonds: Debt securities At Amortized Cost	5,122	-	-	-	5,122
Loans and advances to customers:					
Loans to individuals:					
- Personal loans	40,219	-	-	-	40,219
- Commercial loans	104,534	-	-	-	104,534
Loans to corporate entities:					
- Corporate customers	488,674	-	-	-	488,674
- SMEs	66,501	-	-	-	66,501
Other assets less prepayments	6,457	-	-	-	6,457
At 31 December 2020	**1,092,479**	**5,544**	**10,785**	**17,504**	**1,126,312**
Credit risk exposure relating to off-balance sheet items are as follows:					
Financial guarantees and acceptances	113,074	-	-	-	113,074
Loan commitments and other credit related obligations	47,809	-	-	-	47,809
At 31 December 2020	**160,883**	-	-	-	**160,883**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk

The Group and Bank take an exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions on interest rate, currency and equity products, 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, foreign exchange rates and equity prices.

The market risk arising from trading and non-trading activities are concentrated in the Group's and Bank's treasury department and monitored regularly. Regular reports are submitted to the Group's and Bank's Assets and Liability Committees (ALCO) and heads of departments. Assessment is done of whether market risk exposures are within the limits set. Market risk sensitivity analysis is also done as indicated under foreign exchange, price and interest rate risk below.

6.2.1 Foreign exchange risk

The Group and Bank take on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. ALCO sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. With all other variables held constant, an increase/(decrease) in the USD:TZS foreign exchange rate by 10% on all US Dollar denominated assets and liabilities which is the main foreign currency exposure to the Group would have resulted in higher/(lower) profit before tax by TZS 3,847 million as at 31 December 2021 (2020: TZS 4,158 million). The equity would be impacted by TZS 2,693 million as at 31 December 2021 (2020: TZS 1,113 million).

The tables below summarise the Group's and Bank's exposure to foreign currency exchange risk at 31 December 2021. Included in the table are the Group's and Bank's financial instruments at carrying amounts, TZS by currency.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)
6.2.1 Foreign exchange risk (continued)

Group

Concentrations of currency risk - on - and off-balance sheet financial instruments.

	All amounts expressed in TZS'M'							
As at 31 December 2021	**USD**	**EURO**	**GBP**	**KMF**	**DJF**	**USHS**	**Others**	**Total**
Financial assets								
Cash and balances with Central Banks	70,145	2,780	900	-	16,009	2,016	301	92,151
Loans and advances to banks	115,762	4,570	785	-		52,601	1,301	175,098
Loans and advances to customers	516,601	386			31,011	50,745		598,733
Derivatives financial asset						10,348		10,348
Other assets less prepayments	1,330	(1)	(3)		4,578	590		6,494
Total financial assets	**703,838**	**7,735**	**1,682**		**51,598**	**116,300**	**1,602**	**882,754**
Financial liabilities								
Deposits due to customers	471,472	14,798	1,584		79,500	90,821	5	658,180
Deposits due to banks	175,421	17,591				18,208		211,220
Subordinated debts and senior loans	70,789							70,789
Other liabilities	8,440	134	14		3,419	4,683	1	16,691
Total financial liabilities	**726,122**	**32,523**	**1,598**		**82,919**	**113,712**	**6**	**956,880**
Net on-balance sheet exposure	**22,284**	**(24,788)**	**84**	-	**(31,321)**	**2,588**	**1**	**(74,126)**
Off-balance sheet exposure	**(16,186)**	**2,743**	**85**		-	-	-	**(13,358)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)
6.2.1 Foreign exchange risk (continued)

Group

Concentrations of currency risk - on - and off-balance sheet financial instruments.

	All amounts expressed in TZS'M'							
As at 31 December 2020	**USD**	**EURO**	**GBP**	**KMF**	**DJF**	**USHS**	**Others**	**Total**
Financial assets								
Cash and balances with Central Banks	59,439	5,963	511		15,997	2,036	95	84,041
Loans and advances to banks	59,253	56,258	241	-	-	53,114	663	169,529
Loans and advances to customers	678,289	106	-		30,786	51,240	-	760,421
Derivatives financial asset	4,421	4	2	-	-	10,449	-	14,876
Other assets less prepayments	841	(78)	-	-	4,575	596	276	6,210
Total financial assets	**802,243**	**62,253**	**754**	-	**51,358**	**117,435**	**1,035**	**1,035,078**
Financial liabilities								
Deposits due to customers	558,217	71,266	754	-	80,302	90,739	-	801,278
Deposits due to banks	85,467	100	-	-	-	18,192	-	103,759
Subordinated debts and senior loans	88,375	-	-	-	-	-	-	88,375
Other liabilities	44,077	307	37	-	3,417	4,679	6	52,523
Total financial liabilities	**776,136**	**71,673**	**791**	-	**83,719**	**113,610**	**6**	**1,045,935**
Net on-balance sheet exposure	**26,107**	**(9,420)**	**(37)**		**(32,361)**	**3,825**	**1,029**	**(10,857)**
Off-balance sheet exposure	**11,625**	**2,551**	**285**	-	-	-	-	-

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.1 Foreign exchange risk (continued)

Bank

Concentrations of currency risk - on - and off-balance sheet financial instruments.

As at 31 December 2021	All amounts expressed in TZS'M'				
	USD	EURO	GBP	Others	Total
Financial assets					
Cash and balances with Central Banks	25,294	1,517	311	271	27,393
Loans and advances to banks	113,332	28,900	669	1,378	144,279
Loans and advances to customers	441,712	386			442,098
Derivative financial asset					
Other assets less prepayments	896	(1)	(3)	(14)	878
Total financial assets	**581,234**	**30,802**	**977**	**1,635**	**614,648**
Financial liabilities					
Deposits due to customers	366,092	12,737	875		
Deposits due to banks	158,372	17,591			
Subordinated debts and senior loans	70,789				
Other liabilities	5,270	3	14	1	5,288
Total financial liabilities	**600,523**	**30,331**	**889**	**1**	**631,744**
Net on-balance sheet exposure	**(19,289)**	**472**	**87**	**1,634**	**(17,096)**
Off-balance sheet exposure	**20,001**			**45**	**20,046**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.1 Foreign exchange risk (continued)

Bank

Concentrations of currency risk - on - and off-balance sheet financial instruments.

	All amounts expressed in TZS'M'				
As at 31 December 2020	USD	EURO	GBP	Others	Total
Financial assets					
Cash and balances with Central Banks	49,918	3,442	511	95	53,966
Loans and advances to banks	20,911	9,583	241	558	31,293
Loans and advances to customers	454,038	3	-	-	454,041
Derivative financial asset	4,421	4	-	-	4,425
Other assets less prepayments	4,323	-	2	-	4,325
Total financial assets	**533,611**	**13,032**	**754**	**653**	**548,050**
Financial liabilities					
Deposits due to customers	337,648	9,351	754	-	347,753
Deposits due to banks	85,385	-	-	-	85,385
Subordinated debts and senior loans	84,052	-	-	-	84,052
Other liabilities	43,595	199	37	1	43,832
Total financial liabilities	**550,680**	**9,550**	**791**	**1**	**561,022**
Net on-balance sheet exposure	**(17,070)**	**3,482**	**(37)**	**652**	**(12,972)**
Off-balance sheet exposure	**11,625**	**2,551**	**285**	**-**	**14,461**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Market risk (continued)

6.3.2 Price risk

The Group and Bank are exposed to equity securities price risk because of its investment in listed shares classified on the statement of financial position as FVOCI. The Group also has investments in government securities that are measured at fair value. The price exposure associated with these government securities is not significant to the financial statements given the amounts involved and the fact that the variability in market prices for the government securities is not significant.

The following table demonstrates the sensitivity to a reasonably possible change in equity prices (all other variables held constant) of the Group's profit before tax and equity:

As at 31 December 2021	Amounts in Million TZ		
	Increase/(decrease) in basis points	Profit/(loss) sensitivity	Equity sensitivity
Market risk exposure			
Equity prices	**500/ (5000)**	126/ (126)	88/ (86)
As at 31 December 2020			
Equity prices	500/ (500)	122/(122)	86/(86)

6.3.2 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 Group and Bank take on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may decrease in the event that unexpected movements arise. The Group's and Bank's Asset and Liability Committee (ALCO) sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the Group and Bank.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables held constant) of the Group's profit before tax and equity;

As at 31 December 2021	Amounts in Million TZ		
	Increase/(decrease) in basis points	Profit/(loss) sensitivity	Equity sensitivity
Market risk exposure			
Market interest rates	**100/ (100)**	1,055(1,055)	738/ (738)
As at 31 December 2020			
Market interest rates	100/ (100)	991/ (991)	694/ (694)

The table below summarises the Group's and Bank's exposure to interest rate risk. It includes the Group's and Bank's financial instruments at carrying amounts, TZS by the earlier of contractual repricing or maturity dates. The Group and Bank do not bear any interest rate risk on off-balance sheet items.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3.2 Interest rate risk (continued)

Group	(Amounts are in TZS Million)						
	Up to1 month	1-3 months	3-12 month	1-5 years	Over 5 years	Non Interest bearing	Total
At 31 December 2021							
Financial assets							
Cash and balances with Central banks	16,044	-	-	-	-	277,577	293,621
Government securities held to maturity	8,367	1,279	18,146	80,267	17,607	-	125,666
Government securities - held for trading	-	-	-	9,975	88,168	-	98,143
Government securities - available for sale	-	-	-	9,141	108,110	-	117,251
Loans and advances to banks	208,162	-	-	-	-	-	208,162
Loans and advances to customers	253,680	70,461	126,016	387,329	231,856	44,571	1,113,913
Investment securities available for sale	-	-	-	-	-	2,571	2,571
Investments securities held to maturity	-	-	-	-	-	-	-
Other assets less prepayments	-	-	-	-	-	16,207	16,207
Total financial assets	**486,253**	**71,740**	**144,162**	**486,712**	**445,741**	**340,926**	**1,975,534**
Financial liabilities							
Deposits due to banks	84,344	22,958	93,099	20,371	-	8,372	229,143
Deposits due to customers	863,252	114,462	300,697	256,134	-	182,509	1,717,054
Other liabilities	-	-	-	-	-	43,779	43,779
Subordinated debts and senior loans	62	9,069	15,419	49,231	-	206	73,987
Term borrowing	-	-	-	-	-	5,895	5,895
Total financial liabilities	**947,658**	**146,489**	**409,215**	**325,736**	-	**240,761**	**2,069,858**
Total interest repricing gap	**(461,405)**	**(74,749)**	**(265,052)**	**160,978**	**445,740**		

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3.2 Interest rate risk (continued)

Group	(Amounts are in TZS M')						
	Up to1 month	1-3 months	3-12 month	1-5 years	Over 5 years	Non-Interest bearing	Total
As at 31 December 2020							
Financial assets							
Cash and balances with Central banks	-	-	-	-	-	308,365	308,365
Government securities – at amortized cost	1,996	29,225	46,814	71,822	22,672	-	172,529
Government securities: FVTPL	-	66,851	31,397			-	98,248
Government securities at FVOCI	53,419	-	-	-	-	-	53,419
Loans and advances to banks	37,698	14,411	21,230	-	-	2953	76,292
Loans and advances to customers	333,014	75,231	145,635	372,210	167,703	1,489	1,095,282
Equity investments	-	-	-	-	-	2,446	2,446
Bonds: Debt instruments at amortized cost	2,853	9,052	-	17,396	-	-	29,301
Other assets less prepayments	-	-	-	-	-	6,738	6,738
Total financial assets	**428,980**	**194,770**	**245,076**	**461,428**	**190,375**	**321,991**	**1,842,620**
Financial liabilities							
Deposits due to banks	41,890	-	93,696	-	-	-	135,586
Deposits due to customers	779,498	97,136	214,785	142,178	60,705	146,731	1,441,033
Other liabilities	-	-	-	-	-	55,180	55,180
Subordinated debts and senior loans	-	-	19,213	85,188	-	-	104,401
Term borrowings	-	-	6,059	-	-	-	6,059
Total financial liabilities	**821,388**	**97,136**	**333,753**	**227,366**	**60,705**	**201,911**	**1,742,259**
Total interest repricing gap	**(392,408)**	**97,634**	**(88,677)**	**234,062**	**129,670**		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3.2 Interest rate risk (continued)

Bank	(Amounts are in TZS'Million)						
	Up to1 month	1-3 months	3-12 months	1-5 years	Over 5	Non Interest bearing	Total
As at 31 December 2021							
Financial assets							
Cash and balances with Central bank	-	-	-	-	-	114,575	114,575
Government securities held to maturity	4,485	-	12,845	72,180	17,607	-	107,117
Government securities - held for trading	-	-	-	9,774	88,168	-	97,942
Government securities - available for sale	-	-	-	9,141	108,110	-	117,251
Loans and advances to banks	151,308	-	-	-	-	-	151,308
Loans and advances to customers	182,612	21,504	64,704	176,494	219,609	-	664,923
Equity investments: FVOCI	-	-	-	-	-	2,066	2,066
Investments securities held to maturity	-	-	-	-	-	1,784	1,784
Derivative financial asset	-	-	-	-	-	-	-
Other assets less prepayments	-	-	-	-	-	6,549	6,549
Total financial assets	**338,405**	**21,504**	**77,549**	**267,589**	**433,494**	**124,974**	**1,263,515**
Financial liabilities							
Deposits due to banks	76,324	18,448	102,720	-	-	-	197,492
Deposits due to customers	618,785	45,513	148,905	59,735	-	-	872,938
Other liabilities	-	-	-		-	27,125	27,125
Subordinated debts and senior loans	-	8,958	15,246	49,783	-	-	73,987
Term borrowings	-	-	-	-	-	6,059	6,059
Total financial liabilities	**695,109**	**72,919**	**266,871**	**109,518**	**-**	**33,184**	**1,177,601**
Total interest repricing gap	**(356,704)**	**(51,415)**	**(189,322)**	**158,0712**	**433,49**		

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3.2 Interest rate risk (continued)

Bank	(Amounts are in TZS'Million)						
As at 31 December 2020	(Amounts are in TZS'M')	1-3 months	3-12 months	1-5 years	Over 5 years	Non-Interest bearing	Total
Financial assets							
Cash and balances with Central bank	-	-	-	-	-	118,252	118,252
Government securities – at amortized cost	1,997	24,700	41,638	71,306	22,672	-	162,313
Government securities - held for trading	-	66,692	31,397	-	-	-	98,089
Government securities at FVOCI	53,419	-	-	-	-	-	53,419
Loans and advances to banks	33,833	-	-	-	-	-	33,833
Loans and advances to customers	229,655	28,704	98,027	184,854	158,688	-	699,928
Equity investments: FVOCI	-	-	-	-	-	2,062	2,062
Bonds: Debt instrument at amortized cost	-	-	-	-	-	5,122	5,122
Other assets less prepayments	-	-	-	-	-	6,467	6,467
Total financial assets	318,904	120,096	171,062	256,160	181,360	131,903	1,179,485
Financial liabilities							
Deposits due to banks	118,822	-	93,696	-	-	-	212,518
Deposits due to customers	512,804	62,845	135,592	44,247	-	-	755,488
Other liabilities	-	-	-	-	-	40,242	40,242
Subordinated debts and senior loans	-	-	19,214	85,189	-	-	104,403
Term borrowings	-	-	6,059	-	-	-	6,059
Total financial liabilities	631,626	62,845	254,561	129,436	-	40,242	1,118,710
Total interest repricing gap	(312,722)	57,251	(83,499)	126,724	181,360		

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.4 Liquidity risk

Liquidity risk is the risk that the Group or Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

6.4.1 Liquidity risk management process

Day-to-day funding is managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Group and Bank maintain an active presence in money markets to enable this to happen. Other ways liquidity risk is managed include:

- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow; and
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and managing the concentration and profile of debt maturities.

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

6.4.2 Funding approach

Sources of liquidity are regularly reviewed by the Group's and Bank's Asset and Liability Committee to maintain a wide diversification by currency, geography, provider, product and term.

6.4.3 Non-derivative cash flows

The tables below present the cash flows payable by the Group and Bank under non-derivative financial liabilities by the remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, as the Group and Bank manage the inherent liquidity risk based on expected undiscounted cash flows.

Group	Amounts are in TZS' Million				
At 31 December 2021	Up to1 month	1 - 3 months	3-12 months	Over 1 year	Total
Financial liabilities					
Deposits due to customers	863,252	114,462	300,697	438,643	1,717,054
Deposits due to banks	84,344	22,958	93,099	28,743	229,144
Other liabilities (excluding deferred fees)	33,889	4,818	-	-	38,707
Subordinated debt	62	9,069	15,419	49,437	73,987
Term borrowings	-	-	-	5,895	5,895
Total financial liabilities (contractual maturity dates)	981,548	151,307	409,215	522,718	2,064,786
Total financial assets (expected maturity dates)	486,253	71,740	144,161	932,453	

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.4 Liquidity risk (continued)

6.4.3 Non-derivative cash flows (continued)

Group

	Amounts are in TZS'M' Up to 1 months	1 - 3 months	3 - 12 months	Over 1 year	Total
At 31 December 2020					
Financial liabilities					
Deposits due to customers	780,156	114,910	325,293	220,674	1,441,033
Deposits due to banks	135,586				135,586
Other liabilities (excluding deferred fees)	51,495	841	-	-	52,336
Subordinated debt and senior loans	104,401	-	-	-	104,401
Term borrowings	-	-	-	6,059	6,059
Total financial liabilities (contractual maturity dates)	1,071,638	115,751	325,293	226,733	1,739,415
Total financial assets (expected maturity dates)	428,980	194,770	245,076	651,803	

Bank

	Amounts are in TZS'Million Up to 1 months	1 - 3 months	3-12 months	Over 1 year	Total
At 31 December 2021					
Financial liabilities					
Deposits due to customers	618,785	45,513	148,905	59,735	872,938
Deposits due to banks	76,324	18,448	102,720	-	197,492
Other liabilities	27,201	-	-	-	27,201
Subordinated debt and senior loans	-	8,958	15,246	49,783	73,987
Term borrowings	-	-	6,059	-	6,059
Total financial liabilities (contractual maturity dates)	722,310	72,919	272,930	109,518	1,177,677
Total financial assets (expected maturity dates)	338,405	21,504	77,549	701,083	

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.4 Liquidity risk (continued)
6.4.3 Non-derivative cash flows (continued)

Bank

	Amounts are in TZS'M' Up to 1 months	1 - 3 months	3 - 12 months	Over 1 year	Total
At 31 December 2020					
Financial liabilities					
Deposits due to customers	512,804	62,845	135,592	44,247	755,488
Deposits due to banks	118,822	-	93,696	-	212,518
Other liabilities (excluding deferred fees)	37,945	-	-	-	37,945
Subordinated debt and senior loans	104,401	-	-	-	104,401
Term borrowings	-	-	-	6,059	6,059
Total financial liabilities (contractual maturity dates)	773,972	62,845	229,288	50,306	1,116,411
Total financial assets (expected maturity dates)	318,904	120,095	171,063	437,520	1,047,582

Assets available to meet the financial liabilities and to cover outstanding loan commitments include cash, balances with central banks, items in the course of collection and treasury and other eligible bills, loans and advances to banks, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The Group would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

6.4.4 Off-balance sheet items

(i) Loan commitments
The timing of the contractual amounts of the Group's and Bank's off-balance sheet financial instruments that commit the Group and the Bank to extend credit to customers and other facilities (Note 35), are summarised in the table below.

(ii) Financial guarantees and other financial facilities
Financial guarantees are included below based on the earliest contractual maturity date.

(iii) Capital commitments
These relate to the acquisition of property and equipment.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.4 Liquidity risk (continued)

Group

	(Amounts are in TZS Million) No later than 1 year	1 – 5 years	Over 5 years	Total
At 31 December 2021				
Outstanding letters of credit, guarantees and indemnities	153,738	369	-	154,107
Commitments to extend credit	64,058	-	-	64,058
Operating lease commitments	-	-	-	-
Capital commitments	17,997	-	-	17,997
	235,793	**369**		**236,162**
At 31 December 2020				
Outstanding letters of credit, guarantees and indemnities	**107,429**	**29,442**	-	**136,871**
Commitments to extend credit	**85,653**	-	-	**85,653**
Capital commitments	**477**	-	-	**477**
Total off-balance sheet balances	**193,559**	**29,442**	-	**223,001**

Bank

	(Amounts are in TZS Million) Not later than 1 year	1 - 5 years	Over 5 years	Total
At 31 December 2021				
Outstanding letters of credit, guarantees and indemnities	120,049	369	-	120,418
Commitments to extend credit	55,212	-	-	55,212
Capital commitments	14,094	-	-	14,094
At 31 December 2020				
Outstanding letters of credit, guarantees and indemnities	100,495	12,579	-	113,074
Commitments to extend credit	47,332	-	-	47,332
Capital commitments	477	-	-	477
Total off-balance sheet balances	148,304	12,579	-	160,883

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.5 Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

The fair value of financial assets and liabilities not measured at fair value approximate their carrying amounts for both the Group and Bank as explained below:

(i) Loans and advances to banks

Loans and advances to banks include inter-bank placements and items in the course of collection. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of their fair values.

The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity and this reasonably approximates the carrying amounts of these balances since these investments are done at the prevailing market rates.

(ii) Loans and advances to customers

The estimated fair value of loans and advances represents the discounted amount of the estimated future cash inflows. Expected cash flows are discounted at current market rates to determine fair value. The carrying amount is a reasonable approximation of fair value since the loans are at market rates.

(iii) Government securities and investment securities -debt instruments at amortised cost

The fair value for these assets is based on market prices. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. The carrying amount of investment securities is a reasonable approximation of fair value since the market interest rates and yields for similar instruments reasonably approximate the interest rates and yields for the Group's and Bank's instruments.

(iv) Deposits due to banks and due to customers

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

The estimated fair value of interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amounts are a reasonable approximation of this.

(v) Borrowings

The interest rates charged on borrowings held by the Group and Bank are based on LIBOR or other bases for determining market interest rates. The interest rates are mostly variable and in line with market rates for similar facilities. The fair values of such interest bearing borrowings not quoted in an active market is based on discounted cash flows using interest rates for similar facilities. The carrying amounts of the Group's borrowings are a reasonable approximation of this.

(vi) Off-balance sheet financial instruments

The estimated fair values of the off-balance sheet financial instruments are based on market prices for similar facilities. When this information is not available, fair value is estimated using discounted cash flow analysis.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.5 Fair value of financial assets and liabilities (continued)

(b) 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 Group's and Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices, interest and yield curves) or indirectly (that is, derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs to valuation techniques).

At 31 December 2021	Amounts are in TZS'M'			
Group	Level 1	Level 2	Level 3	Total
Financial assets				
Government securities: FVTPL	98,942	-	-	98,942
Government securities: FVOCI	117,251	-	-	117,251
Equity investments: FVOCI	574	1,946	-	2,520
	216,767	1,946	-	218,713
Bank				
Financial assets				
Government securities: FVTPL	98,942	-	-	98,942
Government securities: FVOCI	117,251	-	-	117,251
Equity investments: FVOCI	120	1,946	-	2,066
	216,313	1,946	-	218,259

At 31 December 2020	Amounts are in TZS'M'			
Group	Level 1	Level 2	Level 3	Total
Financial assets				
Government securities: FVTPL	98,248	-	-	98,248
Government securities: FVOCI	53,419	-	-	53,419
Equity investments: FVOCI	500	1,946	-	2,446
	152,167	1,946	-	154,113
Bank				
Financial assets				
Government securities: FVTPL	98,089	-	-	98,089
Government securities: FVOCI	53,419	-	-	53,419
Equity investments: FVOCI	116	1,946	-	2,062
	151,624	1,946	-	153,570

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6. 5 Fair value of financial assets and liabilities (continued)

(b) Fair value hierarchy (continued)

Refer to Note 20 for further disclosures on fair value.
Description of valuation techniques used and key inputs to valuation of Level 2 financial instruments:

	Valuation technique	Significant observable inputs		2021
Government securities: FVTPL - Held for trading	Market approach	Market interest rates		12.81%
Derivative financial instruments	Market approach	Market rates for similar instruments	TZS:USD	2,306.00
			TZS:EUR	2,609.82

There have been no transfers between level 1 and level 2 during the period.

6.6 Capital management

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

- To comply with the capital requirements set by the Bank of Tanzania (BoT);
- To safeguard the Group's and 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 Group's and Bank's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Tanzania, for supervisory purposes. The required information is filed with the Central Banks on a quarterly basis.

BoT requires each bank to:

a. Section 5 of the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014 requires that a bank shall maintain at all times a minimum core capital of not less than TZS 15 billion;
b. Section 40 of the Banking and Financial Institutions (Licensing) Regulations, 2014 stipulates that a bank with core capital of not less than TZS 150 billion may be authorised by Bank of Tanzania to establish a branch or a subsidiary abroad;
c. Maintain a ratio of core capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the 'Basel ratio') plus market risks and operational risk charges at or above the required minimum of 12.5%;
d. and maintain total capital of not less than 14.5% of the risk-weighted assets plus risk-weighted off-balance sheet items plus market risks and operational risk charges.

The Bank's regulatory capital as managed by its Treasury Department is divided into two tiers:

Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. Intangible assets, deferred tax assets and prepaid expenses are deducted in arriving at Tier 1 capital; and

Tier 2 capital: qualifying subordinated loan capital and regulatory general provisions for loans and advances.

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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Capital management (continued)

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2021 and 31 December 2021.

Tier 1 capital	Bank 2021 TZS'M'	Bank 2020 TZS'M'
Share capital	12,900	12,900
Retained earnings	134,831	122,935
Excess impairment –IFRS 9	-	-
Less:		
Prepaid expenses	(1,793)	(1,902)
Deferred tax asset	(19,673)	(24,418)
Total qualifying Tier 1 capital	**126,265**	**109,515**

Tier 2 capital

Tier 2 capital	Bank 2021 TZS'M'	Bank 2020 TZS'M'
Reserve for loans and advances - General	-	4,488
Subordinated debt	14,911	14,959
Total supplementary capital	14,911	19,447
Total qualifying Tier 2 capital*	14,911	21,178
Total regulatory capital	**141,176**	**104,493**
Risk-weighted assets and capital charges		
On-balance sheet	768,171	764,104
Off-balance sheet	107,081	105,025
Market risk capital charge	5,618	5,446
Operational risk capital charge**	91,007	95,251
Total risk-weighted assets and capital charges	**971,877**	**969,826**

Tier 1 capital	Required Ratio (%)	Bank's Ratio (%) 2021	Bank's Ratio (%) 2020
Tier 1 capital	12.5%	12.99%	11.29%
Tier 1 + Tier 2 capital	14.5%	14.53%	13.29%

There have been no changes in the Group's and Bank's capital management objectives and policies in the years ended 31 December 2021 and 2020.

*Maximum amount allowable is 2% of Total Risk Weighted Assets (TRWA) plus off-balance sheet exposure (OBSE).

**The operational risk capital charge has been computed using the Basic Indicator Approach (BIA) by taking 15% of 3 years average gross income (Net interest income limited at 3.5% earning assets) and applying a conversion factor of 8.33.

7. INTEREST AND SIMILAR INCOME

	Notes	Group 2021 TZS 'M'	Group 2020 TZS 'M'	Bank 2021 TZS 'M'	Bank 2020 TZS 'M'
(a) Interest Income					
Loans and advances to customers		101,045	100,854	62,312	71,030
Loans and advances to banks		2,138	3,779	954	1,377
Government securities - amortized cost		23,255	28,217	20,513	27,605
Bonds - amortized cost		63	1,500	164	454
Government securities - FVOCI		9,977	2,689	9,977	2,689
		136,478	**137,039**	**93,920**	**103,155**
(b) Other Interest Income					
Government securities - FVTPL		10,223	3,995	10,223	3,979
		146,701	**141,034**	**104,143**	**107,134**
8. DIRECT EXPENSES					
(a) Interest Expense And Similar Charges					
Deposits due to customers		29,587	28,472	22,183	20,743
Deposits due to banks		3,792	3,169	4,409	6,136
Subordinated debts and senior loans		5,348	7,392	5,348	7,392
Long term borrowings		450	450	450	450
Lease liabilities (note 28(b)		2,265	2,327	1,673	1,871
		41,442	**41,810**	**34,063**	**36,592**
(b) Expected Credit Losses	**Notes**				
Balances with Central Banks	17	(181)	22	20	(1)
Loans and advances to banks	18	(163)	(441)	(1)	(7)
Loans and advances to customers	19	6,063	6,098	2,020	1,183
Government securities	20	(52)	(1,497)	11	(1,562)
Corporate bonds	21(c)	-	(1)	-	-
Other assets	22	(79)	(259)	**(8)**	7
Off-balance sheet items	36	(353)	(3,996)	**(353)**	**(3,183)**
		5,339	**(74)**	**1,689**	**(3,563)**
9. NET FEE AND COMMISSION INCOME					
(a) Fees And Commission Income					
Commission on Letters of Credit and Guarantees		2,874	2,778	1,676	1,877
Commission on telegraphic transfers and other international trade finance activities		9,475	7,710	3,581	3,231
Commission and fees from banking operations		11,589	9,534	5,934	5,293
Facility fees from loans and advances		10,070	9,780	3,457	3,651
Credit/debit card fees and commissions		3,514	3,138	3,443	3,091
Other fees and commissions		545	671	-	11
		38,067	**33,611**	**18,091**	**17,154**
(b) Fees and Commission Expense					
Borrowing arrangement fees		(121)	(140)	(121)	(140)
Net fees and commission income		**37,946**	**33,471**	**17,970**	**17,014**

10. OTHER INCOME/(EXPENSES)

(a) Other Income

	Notes	Group 2021 TZS 'M'	Group 2020 TZS 'M'	Bank 2021 TZS 'M'	Bank 2020 TZS 'M'
Dividend income		81	40	1,881	3,014
Gain from sale of assets		79	-	30	-
Profit from disposal of lease liability		105	-	-	-
Recovery of written off debts		1,820	3,617	1,479	2,516
Management fee recharges		-	-	231	659
Impairment release of investment in subsidiary		5,059	-	5,059	-
Amortization of gain from acquisition of UBL		2,423	2,423	2,423	2,423
Other income		1,573	3,005	365	326
		10,980	9,085	11,468	8,938
(b) Other expenses					
Loss from sale of assets		-	(125)	-	(186)
Impairment of goodwill	27(b)	-	(559)	-	-
Impairment of investment in subsidiary	27(a)	-	-	-	(833)
Impairment of assets held for sale	24	90	(3,272)	(63)	(3,181)
		90	(3,956)	(63)	(4,200)
		11,070	5,129	11,405	4,738

11. OPERATING EXPENSES

	Group 2021	Group 2020	Bank 2021	Bank 2020
Travelling expenses	553	590	371	315
Repairs and maintenance	4,106	3,871	1,662	1,383
Advertising and business promotion	2,075	2,645	1,478	1,566
Directors' emoluments	958	922	552	497
Auditor's remuneration	745	1,026	387	587
Legal and professional fees	2,220	1,842	1,312	1,041
Correspondent bank and SWIFT charges	3,249	2,334	668	662
Operating lease rentals	591	174	-	-
Occupancy costs	7,901	7,314	5,284	5,166
Credit/debit card expenses	6,117	5,474	5,177	4,705
Other operating expenses	18,233	22,420	12,930	17,856
	46,748	48,612	29,821	33,778

Included in other operating expenses are office running expenses such as telephone, stationery, courier charges, data connectivity, security charges and fuel charges, among others.

12. PERSONNEL EXPENSES

	Group 2021	Group 2020	Bank 2021	Bank 2020
Wages and salaries	39,421	40,880	24,299	24,859
Social security costs (defined contributions)	4,202	4,565	2,780	2,895
Other employment costs and benefits	10,006	10,521	8,013	8,727
	53,629	55,966	35,092	36,481

13. DEPRECIATION AND AMORTIZATION EXPENSES

	Group 2021	Group 2020	Bank 2021	Bank 2020
Amortization of right of use assets	7,696	7,750	4,523	4,929
Depreciation of property and equipment	6,854	6,285	4,310	4,554
Amortization of intangibles	5,408	6,454	3,469	4,488
	19,958	20,489	12,302	13,971

14. INCOME TAX

(a) Income tax expense

	Group 2021 TZS 'M'	Group 2020 TZS 'M'	Bank 2021 TZS 'M'	Bank 2020 TZS 'M'
Current income tax charge - current year	(12,085)	(5,386)	(7,333)	(1,848)
Current income tax charge - prior year	(2,577)	(2,660)	(2,577)	(2,964)
	(14,662)	(8,046)	(9,910)	(4,812)
Deferred tax charge/(credit) - current year (Note 14(c))	(4,720)	(13,572)	(4,720)	(13,553)
Deferred tax (credit)/charge - prior year (Note 14(c))	-	8,341	-	8,342
Reversal of income tax payable	-	(624)	-	-
	(4,720)	(5,855)	(4,720)	(5,211)
	(19,382)	(13,901)	(14,630)	(10,023)

(b) Current income tax (payable)/recoverable

	Group 2021	Group 2020	Bank 2021	Bank 2020
At 1 January	(383)	(5,612)	206	(3,597)
Current income tax charge - current year	(12,085)	(5,386)	(7,333)	(1,848)
Current income tax charge - prior year	(2,577)	(2,660)	(2,577)	(2,964)
Tax paid during the year relating to current year	10,985	3,020	7,458	2,054
Tax paid during the year relating to previous year	2,798	6,854	1,670	6,033
Other tax adjustments	(1,133)	3,890	-	528
Translation difference	(29)	(489)	-	-
At 31 December	(2,424)	(383)	(576)	206

(c) Deferred tax assets

	Group 2021	Group 2020	Bank 2021	Bank 2020
At 1 January	24,427	30,758	24,418	29,102
Deferred tax charge/(credit) – current year	(4,720)	(13,572)	(4,720)	(13,553)
Deferred tax charge/(credit) – prior year	-	8,341	-	8,342
Credit to OCI – current year	(25)	527	(25)	527
Deferred tax derecognized - subsidiary	-	(1,658)	-	-
Translation difference	(9)	31	-	-
At 31 December	19,673	24,427	19,673	24,418

14. INCOME TAX (CONTINUED)

(d) Tax reconciliation

	Group		Bank	
	2021 TZS 'M'	2020 TZS 'M'	2021 TZS 'M'	2020 TZS 'M'
Profit/(loss) before income tax	46,051	29,793	31,111	22,358
Tax calculated at the statutory income tax rates*	14,006	8,989	9,333	6,707
Tax effect of:				
Non-taxable income	(427)	(1,401)	(427)	(1,260)
Tax at source				-
Income from subsidiaries taxable at Company level	3,354	2,281	3,354	2,281
Expenses not deductible for tax purposes	(124)	207	(207)	271
Current income tax charge - prior year	2,577	3,268	2,577	2,964
Deferred tax credit - prior year	-	(8,342)	-	(8,342)
Deferred tax credit – current year	-	1,696	-	1,696
Deferred tax credit not recognised	-	1,397	-	-
Derecognized deferred tax asset	-	5,706	-	5,706
Permanent difference	-	98	-	-
Alternative minimum tax	(4)	2	-	-
Income tax expense	19,382	13,901	14,630	10,023

15. BASIC AND DILUTED LOSS PER SHARE

The calculation of the basic earnings per share is based on the net (loss)/profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year, calculated as follows:

	Group	
	2021	2020
Net profit/(loss) attributable to equity holders of the parent (TZS'M)	26,107	17,570
Weighted average number of shares in issue in millions (Note 34)	12.9	12.9
Basic and diluted profit/(loss) per share	2,024	1,362

16. FINANCIAL INSTRUMENTS BY CATEGORY

Group

	Debt instruments at amortised cost TZS'M	Financial assets at FOCI TZS'M	Equity investments at FVOCI TZS'M	Held for trading at FVTPL TZS'M	Total TZS'M
At 31 December 2021					
Financial assets					
Cash and balances with Central Banks	293,621	-	-	-	293,621
Loans and advances to banks	208,164	-	-	-	208,164
Loans and advances to customers	1,114,299	-	-	-	1,114,299
Government securities	125,666	117,251	-	98,143	341,060
Bonds - Debt securities at amortised cost	20,534	-	-	-	20,534
Equity investments	-	-	2,066	505	2,571
Other assets less prepayments	16,207	-	-	-	16,207
	1,778,489	**117,251**	**2,066**	**98,648**	**1,996,456**

Group

	Debt instruments at amortised cost TZS'M	Financial assets at FOCI TZS'M	Equity investments at FVOCI TZS'M	Held for trading at FVTPL TZS'M	Total TZS'M
At 31 December 2020					
Financial assets					
Cash and balances with Central Banks	307,325	-	-	-	307,325
Loans and advances to banks	76,292	-	-	-	76,292
Loans and advances to customers	1,095,304	-	-	-	1,095,304
Government securities	172,529	53,419	-	98,248	324,196
Bonds - Debt securities at amortised cost	29,301	-	-	-	29,301
Equity investments	-	-	2,066	505	2,447
Other assets less prepayments	10,682	-	-	-	10,682
	1,691,433	**53,419**	**2,066**	**98,753**	**1,845,547**

16. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

Group

	Group	
	2021 TZS'M'	2020 TZS'M'
At amortized cost		
Deposits due to banks	53,379	135,586
Deposits due to customers	1,678,285	1,441,605
Term borrowings	6,059	6,059
Subordinated debts and senior loans	73,987	104,403
Lease liabilities	27,952	29,929
Other liabilities	43,842	58,356
	1,883,504	1,775,946

Bank

	Debt instruments at amortised cost TZS'M	Financial assets at FOCI TZS'M	Equity investments at FVOCI TZS'M	Held for trading at FVTPL TZS'M	Total TZS'M
At 31 December 2021					
Financial assets					
Cash and balances with Central Banks	114,575	-	-	-	114,575
Loans and advances to banks	151,308	-	-	-	151,308
Loans and advances to customers	664,406	-	-	-	664,406
Government securities	107,117	117,251	-	97,942	322,310
Bonds - Debt securities at amortised cost	1,784	-	-	-	1,784
Equity investments	-	-	2,066	-	2,066
Other assets less prepayments	6,548	-	-	-	6,548
	1,045,738	117,251	2,066	97,942	1,262,997

16. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Bank

	Debt instruments at amortised cost TZS'M	Financial assets at FOCI TZS'M	Equity investments at FVOCI TZS'M	Held for trading at FVTPL TZS'M	Total TZS'M
At 31 December 2020					
Financial assets					
Cash and balances with Central Banks	118,252	-	-	-	118,252
Loans and advances to banks	33,833	-	-	-	33,833
Loans and advances to customers	699,928	-	-	-	699,928
Government securities	162,313	53,419	-	98,089	313,821
Bonds - Debt securities at amortised cost	5,122	-	-	-	5,122
Equity investments	-	-	2,062	-	**2,062**
Other assets less prepayments	6,457	-	-	-	6,457
	1,025,905	53,419	2,062	98,089	1,179,475

Financial liabilities

	Bank	
	2021 TZS'M'	2020 TZS'M'
At amortized cost		
Deposits due to banks	197,492	212,518
Deposits due to customers	872,938	755,488
Term borrowings	6,059	6,059
Subordinated debts and senior loans	73,987	104,401
Lease liabilities	21,732	25,395
Other liabilities	27,124	44,229
	1,199,332	1,148,092

17. CASH AND BALANCES WITH CENTRAL BANKS

	Group		Bank	
	2021 TZS 'M'	2020 TZS 'M'	2021 TZS 'M'	2020 TZS 'M'
Cash in hand	43,449	60,994	31,326	51,101
Clearing accounts	163,222	159,919	26,559	20,548
Statutory Minimum Reserves (SMR)	87,688	87,331	56,765	46,658
Gross amount	294,359	308,244	114,650	118,307
Expected credit losses	(738)	(919)	(75)	(55)
Net carrying amount	293,621	307,325	114,575	118,252
Movement in ECLs (all in Stage 1):				
At 1 January	919	897	55	56
Increase/(decrease) in ECL	(181)	22	20	(1)
Closing balance	738	919	75	55
Current	293,621	307,325	114,575	118,252
Non-current	-			

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition, cash and balances with central banks, Government securities maturing within 90 days and loans and advances to banks.

Banks are required to maintain a Statutory Minimum Reserve (SMR) which is a prescribed minimum cash balance with the Central Banks that is not available to finance the bank's day-to-day activities. The amount is determined as 6% for public deposits and 40% for Government deposits for Bank of Tanzania, for Central Bank of Comores S.A, 25% of the average outstanding customer deposits over a cash reserve cycle period of two weeks and for Bank of Uganda, 20% of the average outstanding customer deposits over a cash reserve cycle period of two weeks. The Central Bank of Djibouti requires the share capital amount to be maintained with them in a separate account and not to be used for operational purposes.

18. LOANS AND ADVANCES TO BANKS

	Group		Bank	
	2021 TZS 'M'	2020 TZS 'M'	2021 TZS 'M'	2020 TZS 'M'
Items in course of collection	2,026	2,357	625	1,394
Loans and advances to other banks	146,717	34,595	113,688	21,935
Placements with other banks	59,437	39,519	36,995	10,505
Gross amount	208,180	76,471	151,308	33,834
Expected credit losses	(16)	(179)	-	(1)
Net amount after expected credit losses	**208,164**	76,292	**151,308**	33,833
Movement in ECLs				
At 1 January	179	620	1	8
Impact to profit and loss during the year	(163)	(441)	(1)	(7)
Closing balance	16	179	-	1
Current	208,164	76,292	151,308	33,833

Loans and advances to banks comprise of short lending to regulated banks with no history of default. The amounts are not secured. These loans carry average interest rates for each entity as follows: Tanzania 5.5% for local currency and 2.5% for foreign currency loans; Comoro 3.5% both local currency and foreign currency and Uganda 7.3% for local currency and foreign currency.

19. LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
	2021 TZS 'M'	2020 TZS 'M'	2021 TZS 'M'	2020 TZS 'M'
Overdrafts	365,630	430,082	190,170	248,477
Personal loans	109,236	77,826	31,504	19,448
Commercial loans	662,353	624,409	457,940	457,744
Others	4,626	3,866	4,626	3,867
Gross loans and advances	**1,141,845**	**1,136,183**	**684,240**	**729,536**
Less: Expected credit losses	(27,932)	(40,879)	(19,318)	(29,608)
Net carrying amount	**1,113,913**	**1,095,304**	**664,922**	**699,928**
Current	1,000,457	485,006	**592,544**	**357,657**
Non-current	112,456	651,177	**72,378**	371,879
	1,113,913	**1,136,183**	**664,922**	729,536
The movement in ECLs:				
Provision for expected credit losses at 1 January	40,879	78,457	29,608	57,825
Management provision built during the year	-	2,229	-	2,231
Amounts written of during the year	(19,010)	(45,905)	(12,310)	(31,631)
Expected credit loss charge for the year	6,063	6,098	2,020	1,183
At 31 December	**27,932**	**40,879**	**19,318**	**29,608**

19. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The expected credit losses for the year is made up of:

	Group		Bank	
	2021 TZS 'M'	2020 TZS 'M'	2021 TZS 'M'	2020 TZS 'M'
Expected credit losses	6,063	6,380	2020	1,183
Amounts recovered during the year	-	(282)	-	-
Expected credit loss for the year	**6,063**	**6,098**	**2,020**	**1,183**

20. GOVERNMENT SECURITIES

	Group		Bank	
	2021 TZS 'M'	2020 TZS 'M'	2021 TZS 'M'	2020 TZS 'M'
Debt instruments at amortized cost				
Treasury Bills	10,468	3,913	-	-
Treasury Bonds	115,409	168,844	107,213	162,466
	125,877	172,757	107,213	162,466
At FVOCI				
Treasury Bonds	117,378	53,477	117,378	53,477
At FVTPL				
Treasury Bonds	98,143	98,248	97,942	98,089
	341,398	**324,482**	**322,533**	**314,032**
Maturing within 90 days	6,915	35,207	4,485	32,777
Maturing after 90 days	334,483	289,275	318,048	281,256
Gross	341,398	324,482	322,533	314,033
Less: Provision for ECLs	(338)	(286)	(223)	(212)
Net carrying amount	**341,060**	**324,196**	**322,310**	**313,821**
At amortized costs	**125,666**	**172,529**	**107,117**	**162,313**
FVOCI	**117,251**	**53,419**	**117,251**	**53,419**
FVPTL	**98,143**	**98,248**	**97,942**	**98,089**
	341,060	**324,196**	**322,310**	**313,821**
Movement in provision for ECL				
(All in Stage 1):				
At 1 January	286	1,783	212	1,774
Increase (decrease) in expected credit loss	52	(1,497)	11	(1,562)
As 31 December	**338**	**286**	**223**	**212**
The maturity analysis of treasury bills and bonds is as follows:				
Current	230,242	157,114	219,205	68,190
Non-current	110,818	167,082	102,505	245,631

Treasury bills and bonds are debt securities issued by the Government of the United Republic of Tanzania and the Government of Uganda. Treasury bills are short term in nature with maturities of up to one year while treasury bonds are long term with maturities of up to 20 years. The weighted average effective interest rate on government securities as at 31 December 2021 was 11.6% (2020: 12.5%).

20. GOVERNMENT SECURITIES (CONTINUED)

The Bank is holding treasury bills and bonds with face value of TZS 16,609 million (2020: TZS 6,181 million) which have been pledged as collateral by local banks against short term borrowings. These are not recognized in the financial statements as assets of the Bank.

As of 31 December 2021, the Bank had pledged treasury bonds with face value of TZS 24,500 million (2020: TZS 146,572 million) against a short-term borrowings and TZS 7,000 million for long term borrowing.

21. INVESTMENT SECURITIES

(a) Equity investments -FVOCI

	Group		Bank	
	2021 TZS 'M'	2020 TZS 'M'	2021 TZS 'M'	2020 TZS 'M'
Equity securities - listed shares				
Tanzania Oxygen Limited (TOL)	111	111	111	111
Equity securities - not listed				
Tanzania Mortgage Refinancing Company (TMRC)	1,200	1,200	1,200	1,200
Gross Equity securities	1,311	1,311	1,311	1,311
Fair value gain	755	751	755	751
Net amount	**2,066**	**2,062**	**2,066**	**2,062**
Fair value changes:				
On 1 January	751	861	751	861
Fair value gain/(loss)	4	(110)	4	(110)
As 31 December	**755**	**751**	**755**	**751**
Credit/(charge) to OCI				
Listed equity investments	4	(24)	4	(24)
Not listed equity investments	-	(86)	-	(86)
Government securities - FVOCI	79	87	79	87
Deferred tax impact - current year	(25)	7	(25)	7
	58	**(16)**	**58**	**(16)**

21. INVESTMENT SECURITIES (CONTINUED)

(b) Equity investments – FVPTL

	Group		Bank	
	2021 TZS 'M'	2020 TZS 'M'	2021 TZS 'M'	2020 TZS 'M'
Equity securities – listed shares				
Listed shares - Tanzania Oxygen Limited (TOL)	19	19	-	-
Tanzania Cigarette Company	170	170	-	-
Tanzania Portland Cement Company	108	108	-	-
MCB	31	31	-	-
Others	41	41	-	-
	369	**369**	-	-
Equity securities - not listed				
Investment in subsidiary -EIAL	19	-	-	-
HARADALI investment scheme	66	-	-	-
	85	-	-	-
Gross Equity securities	**454**	369	-	-
Fair value gain	51	16	-	-
	505	**385**	-	-
Fair value changes:				
On 1 January	16	(12)	-	-
Fair value gain	**48**	**28**	-	-
Disposal during the year	**(13)**	-	-	-
	51	**16**	-	-

The investment securities are non-current

In the prior years, the unlisted equity investment was recorded at cost on the basis that its fair value could not be reliably estimated. There is no market for this, or similar investments and the Bank intends to hold it for the long term.

21. INVESTMENT SECURITIES (CONTINUED)

(c) Corporate Bonds at amortised cost

	Group		Bank	
	2021 TZS 'M'	2020 TZS 'M'	2021 TZS 'M'	2020 TZS 'M'
Subordinated bond - Exim Bank Djibouti	-	-	1,065	4,405
Subordinated Loan to Core Securities	-	-	719	717
Organisation for Economic Cooperation and Development (OCDE) bond	20,534	29,301	-	-
Gross	20,534	29,301	1,784	5,122
Less: Provision for ECLs	-	-	-	-
Net carrying amount	20,534	29,301	1,784	5,122
Movement in expected credit loss				
(All in Stage 1):				
At 1 January	-	1	-	-
Change in expected credit loss	-	(1)	-	-
As 31 December	-	-	-	-
Current	-	29,301	1,084	-
Non-Current	20,534	-	700	5,122

The Exim Bank Djibouti bond is denominated in US Dollar, has a maturity period of 6 years effective from 28 April 2016 and bears float interest rate of 6month USD LIBOR +5.5% p.a Margin. The bond is unsecured.

The subordinated loan to Core Securities is denominated in Tanzanian Shilling, has a maturity of 11 years with grace period of 6years effective from 20 August 2018 and bears interest at the rate of 6 months T bill +4%. The loan is unsecured. Interest payment at every after 6 months.

22. OTHER ASSETS

	Group		Bank	
	2021 TZS 'M'	2020 TZS 'M'	2021 TZS 'M'	2020 TZS 'M'
Sundry debtors	15,202	3,844	5,914	399
Visa cards	541	1,187	451	1,141
Master Card receivables	181	4,929	181	4,929
Money Gram receivables	370	777	3	(2)
Prepaid expenses	3,003	3,401	1,793	1,902
Gross	19,297	14,138	8,342	8,369
Less: Expected credit loss	(16)	(95)	(1)	(9)
Net carrying amount	19,281	14,043	8,341	8,360
Movement in Expected credit loss				
(All in Stage 1):				
At 1 January	95	354	9	2
Change in expected credit loss during the year	(79)	(259)	(8)	7
As 31 December	16	95	1	9

Other assets include other resources owned by the Group and the Bank which are expected to be utilized to generate revenue and have maturity of less than 12 months. These resources carry no interest and are unsecured.

23. INTANGIBLE ASSETS

Application software Cost	Group 2021 TZS 'M'	Group 2020 TZS 'M'	Bank 2021 TZS 'M'	Bank 2020 TZS 'M'
At 1 January	40,684	34,634	26,482	26,049
Additions during the year	1,340	5,674	1,160	321
Transfer from property and equipment (note 25)	192	112	192	112
Write-off through profit or loss	-	(61)	-	-
Translation difference	154	325	-	-
At 31 December	**42,370**	**40,684**	**27,834**	**26,482**
Amortization				
At 1 January	27,636	20,998	21,374	16,886
Charge for the year	5,408	6,454	3,469	4,488
Translation difference	(91)	230	-	-
Write-offs	-	(46)	-	-
At 31 December	32,953	27,636	24,843	21,374
Net Carrying Value	**9,417**	**13,048**	**2,991**	**5,108**

24. ASSETS HELD FOR SALE

The Group takes possession of property (land and building) pledged as security for loans due from customers on failure of the customers to repay the loan amounts in accordance with the agreed terms and conditions. Repossessed property held only for disposal to recover the outstanding loan amounts are presented as non-current assets held for sale at the lower of the outstanding loan amount (carrying amount) and fair value less costs to sell. The assets held for sale as at year-end were measured at fair value less costs to sell as follows:

Cost	Group 2021 TZS 'M'	Group 2020 TZS 'M'	Bank 2021 TZS 'M'	Bank 2020 TZS 'M'
At 1 January	19,237	18,937	17,627	17,490
Additions	115	548	34	434
Disposals	(11,231)	(401)	(10,900)	(297)
Translation differences	(117)	153	-	-
At 31 December	**8,004**	**19,237**	**6,761**	**17,627**
Impairment				
At 1 January	(5,486)	(2,030)	(4,722)	(1,541)
Charge for the year [note 10(b)]	(90)	(3,272)	63	(3,181)
Translation differences	351	(184)	-	-
At 31 December	(5,226)	(5,486)	(4,659)	(4,722)
Net carrying amount	**2,779**	**13,751**	**2,102**	**12,905**

24. ASSETS HELD FOR SALE (CONTINUED)

The properties were acquired as a settlement of debt obligations of customers who defaulted on their obligations. The Group intends to sell the properties as soon as practicable when suitable buyers are identified. As at year-end, the Group determined the fair value less costs to sell and charged the decrease in carrying amount to profit or loss.

The assets held for sale and changes thereto during the year are presented under the retail operating segments.

The key assumptions considered in determining the carrying amount include.

Period to sell	**Tanzania**
Discount rate	1 year
	15.42%
Others	Property will be sold as separate apartment units

25. PROPERTY AND EQUIPMENT

Group	Buildings	Leasehold premises	Motor vehicles	Office equipment	Computer hardware	Furniture and fittings	Capital Work in Progress	Total
	TZS'M'	TZS'M'	TZS'M'	TZS'M'	TZS'M'	TZS'M'	TZS'M'	TZS'M'
Cost								
At 1 January 2021	15,641	23,840	2,222	31,903	7,695	9,508	2,504	93,313
Additions	-	953	126	1,355	1,196	92	7,273	10,995
Disposals	-	-	(362)	(46)	(83)	(40)	-	(531)
Transfer to intangible assets (Note 23)	-	-	-	-	-	-	(192)	(192)
Reclassification	-	64	45	89	281	-	(479)	-
Translation adjustments	(126)	(798)	(33)	253	(332)	(126)	(1,765)	(2,927)
At 31 December 2021	**15,515**	**24,059**	**1,998**	**33,554**	**8,757**	**9,434**	**7,341**	**100,659**
Depreciation								
At 1 January 2021	4,942	14,539	1,868	23,643	6,175	6,514	-	57,681
Charge for the year	408	1,696	206	3,016	850	678	-	6,854
Elimination on disposal	-	-	(314)	(46)	(87)	(38)	-	(485)
Translation adjustments	(250)	(480)	(19)	(108)	(320)	(166)	-	(1,343)
Transfer to intangible assets (Note 23)	-	25	-	(33)	(83)	-	-	(91)
At 31 December 2021	**5,100**	**15,780**	**1,741**	**26,472**	**6,535**	**6,988**	**-**	**62,616**
Net carrying amount	**10,415**	**8,279**	**257**	**7,082**	**2,222**	**2,446**	**7,341**	**38,042**

25. PROPERTY AND EQUIPMENT (CONTINUED)

Group	Buildings	Leasehold premises	Motor vehicles	Office equip-ment	Computer hardware	Furniture and fittings	Capital Work in Progress	Total
	TZS'M'	TZS'M'	TZS'M'	TZS'M'	TZS'M'	TZS'M'	TZS'M'	TZS'M'
Cost								
At 1 January 2020	15,399	21,199	2,246	27,930	6,494	7,533	3,800	84,601
Additions	-	3,722	33	3,701	1,178	1,865	(1,196)	9,303
Disposals	-	(1,164)	(101)	-	(77)	-	-	(1,342)
Transfer to intangible assets (Note 23)	-	-	-	-	-	-	(112)	(112)
Transfers in/(out)	-	28	-	-	-	-	(53)	(25)
Translation adjustments	242	55	44	272	100	110	65	888
At 31 December 2020	**15,641**	**23,840**	**2,222**	**31,903**	**7,695**	**9,508**	**2,504**	**93,313**
Depreciation								
At 1 January 2020	4,469	13,676	1,715	20,852	5,265	5,837	-	51,814
Charge for the year	686	1,208	233	2,718	865	575	-	6,285
Elimination on disposal	-	(794)	(101)	-	(13)	-	-	(908)
Translation adjustments	(213)	448	21	74	58	102	-	490
At 31 December 2020	**4,942**	**14,538**	**1,868**	**23,644**	**6,175**	**6,514**	**-**	**57,681**
Net carrying amount	**10,699**	**9,302**	**354**	**8,259**	**1,520**	**2,994**	**2,504**	**35,632**

No assets were pledged as collateral for borrowings.

25. PROPERTY AND EQUIPMENT (CONTINUED)

Bank	Buildings	Leasehold premises	Motor vehicles	Office equip-ment	Computer hardware	Furniture and fittings	Capital Work in Progress	Total
	TZS'M'	TZS'M'	TZS'M'	TZS'M'	TZS'M'	TZS'M'	TZS'M'	TZS'M'
Cost								
At 1 January 2021	12,105	18,403	1,325	23,900	3,499	4,282	674	64,188
Additions	-	794	112	914	947	87	3,117	5,971
Disposals	-	-	(256)	-	-	-	-	(256)
Reclassification	-	58	-	-	-	-	(58)	-
Transfer to intangible assets (Note 23)	-	-	-	-	-	-	(192)	(192)
At 31 December 2021	**12,105**	**19,255**	**1,181**	**24,814**	**4,446**	**4,369**	**3,541**	**69,711**
Depreciation								
At 1 January 2021	3,473	12,644	1,162	18,468	3,208	3,265	-	42,221
Charge for the year	257	1,327	92	2,065	308	260	-	4,309
Elimination on disposal	-	-	(208)	-	-	-	-	(207)
Transfer to intangible assets (Note 23)	-	25	-	(33)	(83)	-	-	(91)
At 31 December 2021	**3,730**	**13,996**	**1,046**	**20,500**	**3,433**	**3,525**	**-**	**46,231**
Net carrying amount	**8,375**	**5,259**	**135**	**4,314**	**1,013**	**844**	**3,541**	**23,480**

25. PROPERTY AND EQUIPMENT (CONTINUED)

Bank	Buildings	Leasehold premises	Motor vehicles	Office equipment	Computer hardware	Furniture and fittings	Capital Work in Progress	Total
	TZS'M'	TZS'M'	TZS'M'	TZS'M'	TZS'M'	TZS'M'	TZS'M'	TZS'M'
Cost								
At 1 January 2020	12,105	19,139	1,426	21,786	3,427	3,934	254	62,071
Additions	-	338	-	2,114	149	348	560	3,509
Disposals	-	(1,102)	(101)	-	(77)	-	-	(1,280)
Reclassification	-	28	-	-	-	-	(28)	-
Transfer to intangible assets (Note 23)	-	-	-	-	-	-	(112)	(112)
At 31 December 2020	**12,105**	**18,403**	**1,325**	**23,900**	**3,499**	**4,282**	**674**	**64,188**
Depreciation								
At 1 January 2020	3,215	11,902	1,143	16,328	2,976	3,011	-	38,575
Charge for the year	258	1,536	120	2,140	245	254	-	4,554
Elimination on disposal	-	(795)	(101)	-	(13)	-	-	(909)
At 31 December 2020	**3,473**	**12,644**	**1,162**	**18,468**	**3,208**	**3,265**	**-**	**42,220**
Net carrying amount	**8,632**	**5,759**	**163**	**5,432**	**291**	**1,017**	**674**	**21,968**

26. RIGHT OF USE OF ASSETS

Group	Buildings	Office equipment	Motor vehicles	Total
	TZS'M'	TZS'M'	TZS'M'	TZS'M'
Cost				
On 1 January 2021	39,497	2,207	1,980	43,684
Additions	6,399	-	-	6,399
Disposal	(1,054)	-	-	(1,054)
Translation difference	(284)	-	-	(284)
At 31 December 2021	44,558	2,207	1,980	48,745
Amortization				
On 1 January 2021	12,313	1,645	1,082	15,040
Charge for the year	6,792	288	616	7,696
Disposal	(237)	-	-	(237)
Translation difference	102	-	-	102
At 31 December 2021	18,970	1,933	1,698	22,601
Net carrying amount	**25,588**	**274**	**282**	**26,144**
Cost				
On 1 January 2020	38,584	2,166	1,980	42,730
Additions	2,959	206	-	3,166
Disposal	(2,176)	(165)	-	(2,341)
Translation difference	130	-	-	130
At 31 December 2020	39,497	2,207	1,980	43,685
Amortization				
At 1 January 2020	6,158	1,040	539	7,737
Charge for the year	6,569	638	543	7,750
Disposal	(459)	(34)	-	(493)
Translation difference	46	-	-	45
At 31 December 2020	12,314	1,644	1,082	15,039
Net carrying amount	**27,183**	**562**	**898**	**28,646**
Bank				
Cost				
At 1 January and 31 December 2021	30,555	2,207	1,408	34,170
Amortization				
At 1 January 2021	7,522	1,645	761	9,928
Charge for the year	3,779	288	456	4,523
At 31 December 2021	11,301	1,933	1,217	14,451
Net carrying amount	**19,254**	**274**	**191**	**19,719**
Cost				
At 1 January 2020	29,124	2,166	1,408	32,698
Additions	1,675	206	-	1,881
Disposal	(245)	(165)	-	(410)
At 31 December 2020	30,554	2,207	1,408	34,169
Amortization				
At 1 January 2020	3,848	1,040	379	5,267
Charge for the year	3,908	638	383	4,929
Disposal	(235)	(34)	-	(269)
At 31 December 2020	7,521	1,644	762	9,927
Net carrying amount	**23,033**	**563**	**646**	**24,242**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. INVESTMENTS IN SUBSIDIARIES

(a) Investment in subsidiaries

	Bank	
	2021 TZS 'M'	2020 TZS 'M'
Investment in Exim Bank Comores S.A S.A	2,728	2,728
Investment in Exim Bank Uganda Limited	28,704	28,704
Investment in Exim Bank Djibouti S.A.	10,110	10,111
Investment in Core Securities Limited	765	765
Gross amount	**42,307**	**42,308**
Less: Provision for impairment	(4,000)	(9,060)
	38,307	**33,248**
At 1 January	9,060	8,227
Impairment of investment in Exim Bank Uganda Limited	(5,060)	833
At 31 December	**4,000**	**9,060**

The Bank's shareholding in the subsidiaries as at 31 December 2021 and 2020 was as follows:

At 31 December	Country of incorporation	Interest held 2021	Interest held 2020
Investment in Exim Bank Comores S.A	The Union of Comores S.A	100.00%	100.00%
Investment in Exim Bank Djibouti S.A.	Djibouti	100.00%	100.00%
Investment in Exim Bank Uganda Limited	Uganda	58.60%	58.60%
Core Securities Limited	Tanzania	80.00%	80.00%

Subsidiaries with material non-controlling interests (NCI)

The Group includes two subsidiaries, Exim Bank Uganda Limited and Core Securities Limited, with material non-controlling interests.

Name	Proportion of ownership interest and voting right held by the NCI	Total comprehensive loss allocated to NCI		Accumulated NCI share of total comprehensive loss	
		2021 TZS 'M'	2020 TZS 'M'	2021 TZS 'M'	2020 TZS 'M'
Exim Bank Uganda Limited	41.40%	1,490	(1,661)	12,070	10,580
Core Securities Limited	20.00%	(38)	(22)	(357)	(319)

No dividends were paid to the NCIs during the years 2021 and 2020.

The Group has elected to measure the non-controlling interests at fair value.

The post-acquisition summary financial information for Core Securities Limited and Exim Bank (Uganda) Limited before intragroup eliminations, is set out below.

27. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

No dividends were paid to the NCIs during the years 2021 and 2020.

The Group has elected to measure the non-controlling interests at fair value.

The post-acquisition summary financial information for Core Securities Limited and Exim Bank (Uganda) Limited before intra-group eliminations, is set out below.

	2021		2020	
	Core Securities Limited TZS 'M'	EximBank Uganda Limited TZS 'M'	Core Securities Limited TZS 'M'	Exim Bank Uganda Limited TZS 'M'
Non-current Assets	1,534	7,111	114	6,947
Current Assets	33	252,721	1,477	292,125
Non-current Liabilities	(1,620)	(3,109)	(1,979)	(2,103)
Current Liabilities	(1,290)	(210,343)	(1,064)	(252,617)
Equity attributable to owners of the parent	1,074	(53,450)	1,771	(54,932)
Non-controlling interest	**269**	**12,070**	**(319)**	**10,580**

	2021		2020	
	Core Securities Limited TZS 'M'	EximBank Uganda Limited TZS 'M'	Core Securities Limited TZS 'M'	Exim Bank Uganda Limited TZS 'M'
Revenue	436	25,276	2,142	21,742
Interest Expense	(137)	(6,712)	(158)	(6,561)
Operating and other expense	(432)	(16,822)	(2,044)	(19,146)
Income Tax expense	(193)	(413)	(25)	(47)
Profit/(Loss) for the year	(326)	1,329	(85)	(4,012)
Other comprehensive loss	-	-	28	-
Total comprehensive Profit/ (loss) for the year	**(326)**	**1,329**	**(57)**	**(4,012)**
Profit/ (Loss) for the year attributable to owners of the parent	48	779	(68)	(2,351)
Profit/(Loss) for the year attributable to NCI	12	550	(17)	(1,661)
	60	**1,329**	**(85)**	**(4,012)**
Total comprehensive income for the year attributable to owner of the parent	48	1,063	(46)	(2,351)
Total comprehensive income for the year attributable to NCI	12	266	(11)	(1,661)
	60	**1,329**	**(57)**	**(4,012)**
Net cash flows (used in)/from operating activities	123	2,482	(286)	28,879
Net cash flows (used in)/from investing activities	(61)	(4,705)	(451)	(1,771)
Net cash flows from financing activities	17	2,052	117	26,758
Net increase in cash or cash equivalents	**79**	**(171)**	**(620)**	**53,866**

28. LEASES

(a) Lease liability

	Group		Bank	
	2021 TZS 'M'	2020 TZS 'M'	2021 TZS 'M'	2020 TZS 'M'
At January	29,929	35,303	25,395	27,606
Additions	6,399	3,166	-	1,881
Disposal	(944)	(154)	-	(154)
Interest expense to lease liability	2,265	2,327	1,672	1,871
Payment to lease liability (including interest)	(9,006)	(10,785)	(5,335)	(5,809)
Translation difference	(206)	72	-	-
	28,437	**29,929**	**21,732**	**25,395**

(b) Lease expense charged to profit and loss

The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts charged to finance cost

	Group		Bank	
	2021 TZS 'M'	2020 TZS 'M'	2021 TZS 'M'	2020 TZS 'M'
Depreciation on the right of use				
Buildings	6,792	6,569	3,779	3,908
Office Equipment	288	638	288	638
Motor Vehicle	616	543	457	383
Charged to profit and loss	7,696	7,750	4,524	4,929
Interest expense on lease liability	2,265	2,327	1,672	1,871
Total charge to profit and loss	**9,961**	**10,077**	**6,196**	**6,800**

(c) Lease liability maturity analysis

	Group		Bank	
	2021 TZS 'M'	2020 TZS 'M'	2021 TZS 'M'	2020 TZS 'M'
Less than one year	4,514	4,762	3,009	3,848
One to five years	16,515	17,417	12,036	13,416
More than 5 years	5,143	5,424	5,015	6,260
	26,172	27,603	20,060	23,524
Interest on Liability	2,265	2,327	1,672	1,871
Net Liability/discounted liability	**28,437**	**29,930**	**21,732**	**25,395**
Current	4,514	4,762	3,009	3,848
Non-current	23,923	25,168	18,723	21,547

29. DEPOSITS DUE TO BANKS

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
To be settled within 12 months	53,379	135,586	197,492	212,518
To be settled after 12 months	-	-	-	-

Deposits due to banks include financial instruments classified as liabilities at amortised cost with fixed interest rates. All the deposits due to banks are short term in nature with maturities of not more than 12 months from the reporting date. The Group and Bank incur interest on those deposits at the prevailing market interest rates. The Group and Bank have pledged Treasury Bond of TZS 24,500 million (2020: TZS 6,181 million) collateral for these deposits.

30. DEPOSIT DUE TO CUSTOMERS

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
Current and demand deposits	874,699	674,944	340,049	255,861
Savings accounts	393,678	343,943	258,985	222,132
Fixed deposit accounts	409,908	422,718	273,904	277,495
	1,678,285	**1,441,605**	**872,938**	**755,488**
Current	1,040,527	1,367,233	813,203	711,110
Non-current	637,758	74,372	59,735	44,378

Deposits due to customers include financial instruments classified as liabilities at amortised cost. The Group and Bank incur interest on those deposits at the prevailing market interest rates. The Group and Bank have pledged no collateral for these deposits.

31. OTHER LIABILITIES

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
Bank drafts payable	2,258	2,393	1,453	1,774
Accrued expenses	4,835	4,989	3,764	3,988
TANAPA cards	531	504	531	505
Master cards	**2,337**	**3,373**	**2,369**	**3,355**
Guarantee and Letters of Credit margins	9,226	25,445	7,473	23,202
Deferred commission	5,072	6,833	4,519	6,285
Other creditors*	20,169	14,819	7,658	5,122
	44,428	**58,356**	**27,767**	**44,231**

Other liabilities are non-interest bearing and are expected to be settled within no more than 12 months after the reporting date.

*Include indirect taxes payable, amounts payable on clearing accounts and other operational liabilities.

32. TERM BORROWINGS

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
Tanzania Mortgage Refinance Company Limited (TMRC)	6,059	6,059	6,059	6,059

The Bank acquired a loan of TZS 3,000 million on 28 August 2013 from TMRC to finance issuance of mortgage loans. The loan was initially for three years to 27 August 2016 but was extended to 28 May 2017 with interest payable on quarterly basis and the principal payable at maturity. TZS 2,000 million was repaid in 2017. On 27 May 2020 the outstanding TZS 1,000 million was renewed to a 5 year term loan, repayable at maturity date and interest repaid quarterly. On 30 June 2020 the Bank entered in to three years facility arrangement amounting to TZS 5,000 million to pre-finance mortgage loans. The principal amount repayable at maturity and interest rate repaid quarterly. The interest rate applicable for both facility is 7.5% per annum.

The term borrowing is secured as disclosed under note 20 and by the funded mortgage loans and advances to customers amounting to 125% of the outstanding term borrowing balance The movement in term borrowings during the year was as follows:

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
At 1 January	6059	5,989	6,059	5,989
Accrued interest	450	450	450	450
Interest payment	(450)	(380)	(450)	(380)
At 31 December	**6,059**	**6,059**	**6059**	**6,059**

33. SUBORDINATED DEBT AND SENIOR LOANS

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
USD 10 million DEG floating rate notes due 2022 (a)	1,935	1,946	1,935	1,946
USD 10 million DEG floating rate notes due 2021 (b)	-	5,839	-	5,839
TZS 14,959 million fixed rate subordinated retail bond due December 2021 (c)	-	14,973	-	14,973
USD 10 million FMO floating rate notes due 2024 (d)	16,030	18,014	16,030	18,014
USD 12.5 million FMO floating rate notes due 2024 (e)	12,825	22,614	12,825	22,614
USD 12.5 million FMO floating rate notes due 2024 (f)	16,054	22,605	16,054	22,605
USD 11.379 million EIB fixed interest rate notes due 2023 (g)	8,815	13,237	8,815	13,237
TZS 10.14 billion EIB fixed interest rate notes due 2023 (g)	3,418	5,173	3,418	5,173
USD 6.392 Subordinated Debt (h)	14,910	-	14,910	-
Total	**73,987**	**104,401**	**73,987**	**104,401**
Current	24,476	104,401	24,476	104,401
Non-Current	49,511	-	49,511	-
Total	**73,987**	**104,401**	**73,987**	**104,401**

33. SUBORDINATED DEBT AND SENIOR LOANS AT AMORTIZED COST (CONTINUED)

(a) The second tranche of the senior loan of USD 10 million from DEG-Deutsche Investitions- und Entwicklungsgesellschaft mbH was drawn on 15 July 2015. The loan is repayable within 7 years and had a grace period of 1 year. The principal repayments are in 12 equal semi-annual instalments, beginning on 15 October 2016. The principal loan balance as at 31 December 2021 was USD 0.84million (2020: USD 0.8 million). The effective interest rate was % (2020: 3.3%).

(b) The senior loan of USD 10 million from DEG-Deutsche Investitions-und Entwicklungsgesellschaft mbH was drawn in December 2014. The loan is repayable within 7 years and had a grace period of 1 year. The principal repayments are in 12 equal semi-annual instalments, beginning on 15 October 2015. The principal loan balance as at 31 December 2021 was fully paid (2020: USD 2.50 million). The effective interest rate was 3.2 % (2020: 3.3%).

(c) The sub-ordinated retail bond of TZS 14,495 million was issued on 21 December 2015. The bond is repayable within 6 years. Interest payments are on semi-annual instalments beginning on 21 June 2016. The principal loan balance as at 31 December 2021 was fully paid (2020: TZS 14,959 million) and the effective interest rate was 15.6% (2020: 15.6%). The subordinated debts are subordinated in payment and liquidation to all senior loans. The subordinated loans are due to various lenders.

(d) The senior loan of USD 10 million from Financierings-Maatschappij voor Ontwikkelingslanden N.V (FMO) was drawn down in June 2018. The loan is repayable within 7 years with a grace period of 1.25 years and is the first tranche of the USD 35 million committed. Principal repayment is in 9 equal semi-annual instalments, beginning on 15 March 2020. The principal loan balance as at 31 December 2021 was USD 6.95million (2020: USD 7.8 million). The effective interest rate was 3.5% (2020: 3.5).

(e) The senior loan of USD 12.5 million from Financierings-Maatschappij voor Ontwikkelingslanden N.V.(FMO) was drawn down in March 2019. The loan is repayable within 7 years with a grace period of 1.25 years and is the first activation of the second tranche of the USD 35 million committed. Principal repayment is in 9 equal semi-annual instalments. The principal loan balance as at 31 December 2021 was USD 5.56 million (2020: 9.7). The effective interest rate was 3.5%.

(f) The senior loan of USD 12.5 million from Financierings-Maatschappij voor Ontwikkelingslanden N.V.(FMO) was drawn down in November 2019. The loan is repayable within 7 years with a grace period of 1.25 years and is the second activation of the second tranche of the USD 35 million committed. Principal repayment is in 9 equal semi-annual instalments. The principal loan balance as at 31 December 2021 was USD 6.96 million (2020: USD 9.7). The effective interest rate was 3.5%.

(g) The senior loan of EURO 15 million from European Investment Bank (EIB) was drawn down on 15 March 2017. The loan was converted into USD 11,379 million (equivalent of EURO 10.7 million) and TZS 10,140 million (equivalent of EURO 4.3 million). The loan had a grace period of 1 year and repayment thereafter is within 6 years, that is, by 31 October 2023. Principal repayment is in 12 equal semi-annual instalments, beginning on 30 April 2018. The loan balances as at 31 December 2021 were USD 3.8 million and TZS 3,380 million (2020: USD 5.7 million and TZS 5,070 million). The effective interest rates were 4.16% and 11.74% (2020: 4.16% and 11.74%) respectively.

There were three sub-ordinated loans totalling USD 6.39 million with average interest of 6.68%. One of the loans was obtained in October of 2021 with annual interest payment while remaining two were obtained in December 2021 with semi-annual interest payments. The loans will all be settled by a single bullet after grace period of five years.

33. SUBORDINATED DEBT AND SENIOR LOANS AT AMORTIZED COST (CONTINUED)

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
At 1 January	104,401	138,231	104,401	138,231
Additions	14,741	-	14,741	-
Interest accrued during the year	5,348	7,383	5,348	7,383
Repayments - principal	(44,723)	(35,064)	(44,723)	(35,064)
Repayments - interest	(5,405)	(7,667)	(5,405)	(7,667)
Foreign exchange differences	(375)	1,518	(375)	1,518
At 31 December	**73,987**	**104,401**	**73,987**	**104,401**

Note: As at 31 December 2021, the Bank was in breach of debt covenants for EIB and DEG and as such, those loans were classified as current for the purpose of financial reporting. Subsequent to year end, the lenders waived their call right arising from the breach while retaining future covenant requirements.

34. SHARE CAPITAL

Group and Bank

	2021	2020
	TZS 'M'	TZS 'M'
Authorised		
20,000,000 ordinary shares of TZS 1,000 each	20,000	20,000
Issued and fully paid		
12,900,000 ordinary shares of TZS 1,000 each	12,900	12,900

35. REGULATORY AND OTHER RESERVES

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
Fair value reserve (a)	1,191	1,133	554	1,115
Regulatory reserves (b)	25,844	18,388	22,554	17,973
General and legal reserve (c)	2,859	2,673	4	-
Currency translation reserve (d)	7,824	9,059	-	-
	37,718	**31,253**	**23,112**	**19,088**

35. REGULATORY AND OTHER RESERVES (CONTINUED)

(a) The fair value reserve comprises the effect of changes in equity investments at FVOCI. The movement in the fair value reserve was as follows: -

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
At 1 January	1,113	607	1,115	611
Prior year Adjustment			(619)	
Fair value gain/(loss) for the year(note 21)	58	526	58	504
At 31 December	**1,191**	**1,133**	**554**	**1,115**

(b) The regulatory reserves (loan loss reserves) represent the amounts set aside to cover additional provisions for loans and other financial assets losses as required in order to comply with the Bank of Tanzania (BOT), Bank of Uganda (BOU) and Central Bank of Comoro prudential guidelines. The reserves are not available for distribution to the equity holders. The movement in regulatory reserves was as follows: -

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
At 1 January	18,388	39,317	17,969	37,381
Appropriation from/(to) retained earnings	7,456	(20,929)	4,585	(19,412)
At 31 December	**25,844**	**18,388**	**22,554**	**17,969**

This is broken down as follows:

Reserve for loans and advances - Specific	23,151	13,4857	22,554	13,481
Reserve for other assets	2,693	4,903	-	4,488
	25,844	**18,388**	**22,554**	**17,969**

(c) The general and legal reserve comprises the following:

- 1% general provision on loans classified as current was required by Bank of Tanzania (BOT) in 2018 but waived in 2019. Bank of Uganda (BOU) still requires 1% general provision. This is part of the Tier 2 capital as stipulated in the BOT and BOU prudential guidelines. This reserve is not available for distribution to the equity holders.
- - The legal reserve is comprising an appropriation of 10% of the Exim Bank Comores S.A. profit for the year as required by the Central Bank of Comoro regulations.

The movement in the general and legal provision reserve is as follows:-

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
At 1 January	2,673	(597)	4	4
Appropriation (to)/from retained earnings	186	3,270	-	-
At 31 December	**2,859**	**2,673**	**4**	**4**

35. REGULATORY AND OTHER RESERVES (CONTINUED)

(d) The currency translation reserve comprises the effect of translation of the financial statements of the foreign subsidiaries on consolidation.

	Group	
	2021 TZS 'M'	2020 TZS 'M'
At 1 January	9,059	5,089
Translation adjustments for the year	(1,235)	3,970
At 31 December	**7,824**	**9,059**

36. CONTINGENT LIABILITIES AND COMMITMENTS

(a) **Litigation**

In the ordinary course of business, the Group is a defendant in various litigations and claims. Although there can be no assurances, based on the information currently available and legal advice, the directors expect that it is possible that the outcome of actions with total exposure of TZS 364 million (2020: 1.27 billion) could result into loss to the Group and Bank.

(b) **Capital commitments**

At 31 December 2021, the Group and Bank had capital commitments of TZS17,996 million (2020: TZS 10,385 million) and 14,094 million (2020: TZS 3,834 million) respectively, in respect of purchase of IT equipment and computers, office equipment, furniture and other capital items The Group's and Bank's management is confident that future net revenues and funding will be sufficient to cover these commitments

(c) **Acceptances, letters of credit, guarantees and performance bonds**

In common with other banks, the Group and the Bank conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities cover corresponding obligations of third parties. The nominal amounts for these off statement of financial position items are not reflected in the statement of financial position.

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
Acceptances and letters of credit	76,268	59,513	64,145	57,424
Guarantees and performance bonds	78,294	77,679	56,273	55,650
Gross	154,562	137,192	120,418	113,074
Less: Expected credit loss	(455)	(808)	(105)	(458)
Net carrying amount	**154,107**	**136,384**	**120,313**	**112,616**
Movement Expected credit loss:				
At 1 January	808	4,804	458	3,642
Expected credit loss charge in the year	(353)	(3,996)	(354)	(3,184)
As 31 December	**455**	**808**	**104**	**458**

An acceptance is an undertaking by the Group or Bank to pay a bill of exchange drawn on a customer. The Group or Bank expects most acceptances to be presented, and reimbursement by the customer is normally immediate. Letters of credit commit the Group or Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers. Guarantees are generally written by the Group or Bank to support performance by a customer to third parties. The Group or Bank will only be required to meet these obligations in the event of the customer's default.

36. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

(d) Loan commitments

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
Undrawn formal stand-by facilities, credit lines and other commitments to lend	64,058	86,333	55,212	47,809

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 Group or Bank may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer.

37. ANALYSIS OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE STATEMENT OF CASH FLOWS

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
Cash and balance with central banks	294,359	308,244	114,650	118,307
Less: Statutory Minimum Reserves (SMR)	(87,688)	(87,331)	(56,765)	(46,658)
Subtotal	**206,671**	**220,913**	**57,885**	**71,649**
Loans and advances to banks	208,180	76,471	151,308	33,834
	414,851	**297,384**	**209,193**	**105,483**

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition, cash and balances with central banks, Government securities maturing within 90 days and loans and advances to banks. Cash and cash equivalents exclude the cash reserve requirement held with the Central Banks.

38. RELATED PARTY DISCLOSURES

A number of transactions are entered into with the related parties in the normal course of business. These include loans and deposits transactions. The related party transactions and outstanding balances at the year-end are as follows:

Loans and advances to customers at year-end include loans to Directors and key management personnel as follows:

Loans to Directors and other key management personnel

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
At 1 January	3,984	3,412	3,503	2,942
Advanced during the year	1,874	1,645	1,652	1,423
Repaid during the year	(2,231)	(1,073)	(2,019)	(862)
At 31 December	3,627	3,984	3,136	3,503
Interest income earned from related parties	**417**	**446**	**244**	**273**
Expected credit losses in loans to key management personnel	23	26	23	26

38. RELATED PARTY DISCLOSURES (CONTINUED)

The loans granted by the Group or Bank to Directors and other key management personnel during the year are at market interest rates. The loans advanced to the Directors during the year are secured by mortgage collateral

Deposits by Directors and other key management personnel

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
At 1 January	6,227	6,063	1,299	1,390
Received during the year	11,107	10,907	6,961	6,761
Repaid during the year	(10,723)	(10,743)	(6,833)	(6,852)
At 31 December	**6,611**	**6,227**	**1,427**	**1,299**
Interest expense incurred	**189**	**172**	**188**	**171**

The above deposits carry variable interest rates and are repayable on demand

Transactions carried out during the year with other related parties include

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
MAC Group Limited	9	-	9	-
M2 Advertising agency	276	55	240	30
Mwema Advocates	-	-	-	-
Core Securities Limited	146	139	146	139
FTN Service	287	303	-	-
Sherazam Mazari	224	-	224	-
	942	497	619	169

38. RELATED PARTY DISCLOSURES (CONTINUED)

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
Group Health Insurance Cover:				
Strategies Insurance Limited	1,645	882	1,645	882
Group Life Assurance Cover:				
Alliance Life Assurance Ltd	252	294	125	287
Alliance Africa General Insurance (U) Ltd	-	-	-	-
	252	294	125	287
Assets All Risks and Motor Vehicles Cover:				
Alliance Insurance Corporation Ltd	1,794	1,688	1,411	1,479
Alliance Africa General Insurance (U) Ltd	-	333	-	-
	1,794	2,021	1,411	1,479
Operating lease rentals:				
ACE Properties Limited	354	348	354	348
MAC-UTI Properties Limited	1,860	1,441	1,860	1,441
National Knitwear Industries Ltd	72	72	72	72
Mukwano Enterprises Limited	161	-	-	-
	2,447	1,861	2,286	1,861
Loans and advances to customers				
Corporate and Management Consultants Ltd	236	231	236	231
Alliance Insurance Corporation Ltd	1,940	1,868	1,940	1,868
Strategies Insurance Limited	1,530	2,491	1,530	2,491
Union Trust investment limited	-	-	-	-
Shaffin Jamal	-	-	-	-
Exim Bank (Djibouti) S.A Limited	-	-	-	-
Exim Bank (Uganda) Limited	-	-	-	-
Exim Insurance Advisors Ltd	421	566	421	566
Mukwano Industries (U)Limited	-	1	-	-
Alliance Africa General	205	491	-	-
J & J Kothari	1,179	1,039	-	-
Core Securities Limited	-	-	-	-
	5,511	**6,687**	**4,127**	**5,156**
Interest income on loans and advances to related	2,098	519	1,891	2,363

The loans and advances due to related parties are on normal commercial terms. The expected credit losses on these loans was as follows:

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
Expected credit losses on loans and advances to related parties	2	1	2	1

38. RELATED PARTY DISCLOSURES (CONTINUED)

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
Deposits due to customers				
Alliance Insurance Corporation Ltd	10,319	10,585	8,440	8,913
Alliance Life Assurance Ltd	225	536	225	536
Nexia SJ Tanzania (formerly PKF Tanzania)	3	45	3	45
Chai Bora Ltd	-	37	-	-
Strategies Insurance Limited	6,028	2,290	6,028	2,290
Mukwamo Enterprises Limited	-	-	-	-
Mukwano Foundation Trust	-	-	-	-
J&J Kothari	961	961	-	-
AMAZAL HOLDINGS LIMITED	89	13	-	-
Mukwano Industries (U) Limited	751	903	-	-
	18,376	15,370	14,696	11,784
Interest expense on deposits due customers	660	457	622	499

Loans and advances to subsidiaries	Bank	
	2021 TZS 'M'	2020 TZS 'M'
Exim Bank Djibouti S.A.	1,054	4,405
Core Securities Limited	700	1,512
	1,754	5,917
Interest earned on loans and advances to subsidiaries	130	438
Expected credit loss on loans and advances to subsidiaries	-	25
Off-balance sheet facility to Core Securities Limited.	-	1,485
Deposits due to subsidiaries		
Exim Bank Comores S.A.	-	-
Exim Bank Djibouti S.A.	117,408	103,924
Exim Bank (Uganda) Limited	-	-
	117,408	**103,924**
Interest expense on deposits due to subsidiaries	2,557	2,263

38. RELATED PARTY DISCLOSURES (CONTINUED)

Key management compensation

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The remuneration of key management personnel during the year was as follows:

	Group		Bank	
	2021	2020	2021	2020
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
Short term employment benefits	16,154	16,553	9,428	9,319
Post-employment benefits	1,614	1,570	954	931
	17,768	18,123	10,382	10,250

Directors' remuneration

Fees and other emoluments paid to directors by the Group and Bank during the year amounted to TZS 472 million and TZS 862 million respectively (2020: Group - TZS 836million; Bank - TZS 443 million). Details of payments by the Bank to individual Directors will be tabled at the annual general meeting.

Management fees

The Bank recharges the following subsidiaries for the cost incurred in providing oversight.

Management Fees	Bank	
	2021 TZS 'M'	2020 TZS 'M'
Exim Bank Comores S.A S.A	104	393
Exim Bank Djibouti S.A.	127	484
	231	**877**

39. NON-CONTROLLING INTEREST

	Bank	
	2021 TZS 'M'	2020 TZS 'M'
Exim Bank Uganda Limited and Core Securities Limited		
At 1 January	10,261	11,933
Additional investment	-	-
Share of losses for the year	562	(1,672)
At 31 December	**10,823**	**10,261**

40. EVENTS AFTER THE REPORTING PERIOD

Exim Bank Tanzania limited has agreed to purchase certain Assets and Liabilities of First National Bank Tanzania Limited banking business. In this regard EXIM and FNB have entered into an Asset Purchase Agreement dated February 18, 2022. The acquisition of specific Asset and Liabilities is subject to Regulatory approvals from BOT and FCC and fulfilment of other condition precedents specified in the Asset Purchase Agreement. The transaction is expected to be completed in 2022.

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NOTES

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