AKIBA COMMERCIAL BANK PLC

benki kwa maendeleo yako

ANNUAL REPORT 2021

FOR THE YEAR ENDED 31ST DECEMBER 2021

YEARS OF IMPACTING LIVES 25 YEARS ANNIVERSARY

THE BANK FOR YOUR DEVELOPMENT

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INNOVATION
EXCELLENCE
INTEGRITY & TRUST
TEAM WORK
COMMITMENT
2022
2021
YEARS OF IMPACTING LIVES
25 YEARS
ANNIVERSARY

CONTENTS

Letter of Transmittal

Dear Shareholders,

It is my pleasure, on behalf of Board of Directors, to present to you the Bank's Annual Report for the year 2021. The report contains the Audited Financial Statements, major events that happened during the year, achievements and future business prospects for the Bank. It is my hope that this report will meet your approval.

Yours faithfully,
Mr. Ernest Massawe
Board Chairman

OUR VISION AND MISSION

Vision

To be the bank of choice in Tanzania.

Mission

To provide inclusive, innovative financial solutions in the most efficient and sustainable manner.

Company Profile

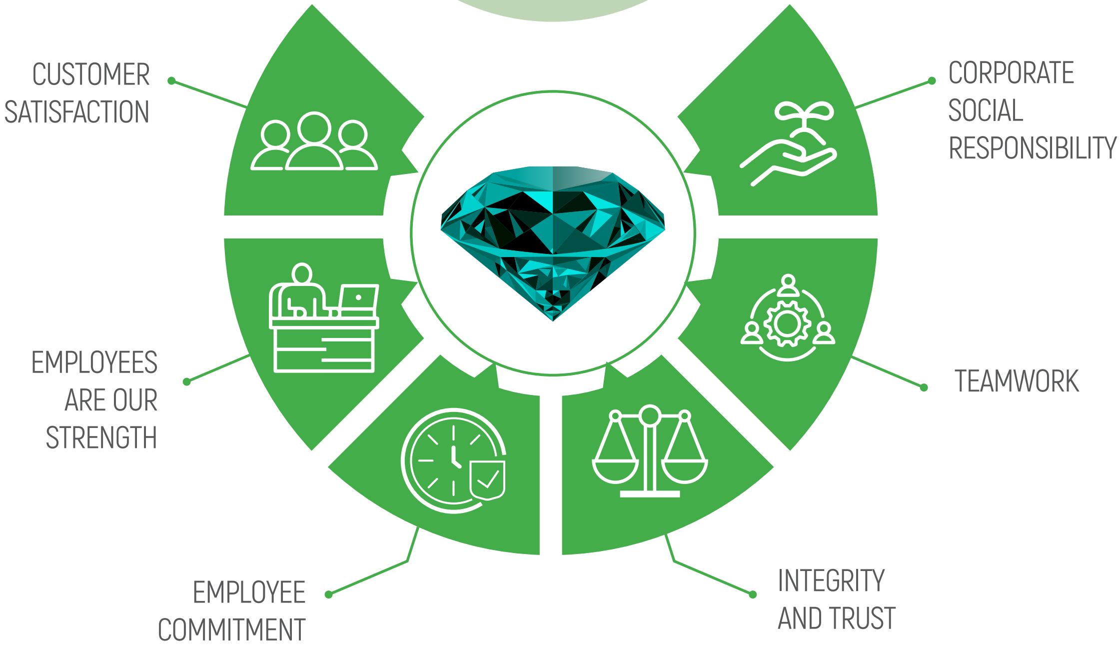
Akiba Commercial Bank Plc (ACB) commenced banking operations in August 1997 as an initiative of over 300 Tanzanian entrepreneurs who were inspired to move into micro-finance, by the moral and economical concern for the plight of millions of Tanzanians. These founding members were bound together by a strong conviction that in Akiba Commercial Bank they will have the vehicle through which they would reach and help transform the lives of previously unbanked and commercially ill-equipped people around the country.

The bank's essence was to support the emergence of start-up Tanzanian businesses through the provision of financial services at all levels by a Tanzanian-owned commercial bank which understood the people it aimed to serve and was committed to. This was the original, very firm and deep rooted mission of its founding members.

In order to strengthen the resource base of the bank, the founding members over time invited like-minded local and international investors to coalesce their resources, strengths, and expertise for the common vision of growing ACB's services and reach. These institutions were also invited because they were willing to participate actively without being driven by profits as their main objective, but rather they were committed to uplifting the economic status of Tanzanians irrespective of their socio-economic positions in life provided they had entrepreneurial skills that can be nurtured. ACB's target market is small and medium sized entrepreneurs, companies and community banks.

Today ACB has expanded its services beyond Dar es Salaam successfully establishing itself as a strong presence in the Tanzanian banking sector which has one of the highest numbers of banks in Africa. ACB has also broadened its reach enabling it to provide financial services to customers of all levels including college and university students, entire families, home owners, business owners, as well as private operations.

Our Core Values



As a commited bank, we are guided by the above mentioned Core Values in all activities we undertake.

Chairman's Statement

Mr. Ernest Massawe
Board Chairman

The Operating Environment

In 2021, the global economy rebounded from the negative effects of the pandemic primarily due to the easing of the Covid-19 restrictions and the introduction of vaccines programmes across the globe. As a result, most countries, including Tanzania, experienced improved business confidence levels coupled with strong consumer spending and an uptake in investments.

In view of this, the global economy expanded by 5.5 percent in 2021, a massive improvement compared to a growth of 3.1 percent in 2020. In Sub-Saharan Africa, the economy expanded by an impressive 4.5 percent compared to a growth of 1.7 percent in 2020. The Southern Africa Development Community (SADC), had an average GDP growth rate of 4.2 percent in 2021, compared to 4.3 percent in 2020 while that of the East African Community (EAC) averaged 5.9 percent in 2021 compared to 1.1 percent in 2020.

For Tanzania, the year 2021 further witnessed a change in leadership which ushered in the 6th phase government following the demise of His Excellency President John Pombe Magufuli. Of note was the peaceful transition to power which played an important role for the economy and the business community at large. The coming into power of the new administration led by Her Excellency President Samia Suluhu Hassan has seen a continuation of key infrastructure projects, improved diplomatic relations as well as an increased focus on improving the business environment.

Impressively, amid the turbulent winds of the pandemic, the Tanzanian economy registered robust growth at a rate of 4.9 percent in 2021, which was a slight improvement from 4.8 percent in 2020. The improvement in economic growth was mainly attributed to several measures that were taken by the government in its fight against the spread of the Covid-19 pandemic. The government also sustained its investment in strategic projects such as energy, water and infrastructure. Economic activities that registered the highest rates of growth in 2021 were: arts and entertainment (19.4 percent), energy (10 percent), mining (9.6 percent) and information and communication (9.1 percent).

In terms of monetary policies, Bank of Tanzania (BoT) figures show that money supply (M3) grew at 15.5

percent in 2021 while domestic credit grew by 14.9 percent in the year 2021 compared with 10.8 percent in 2020. Additionally, credit extended to the private sector rebounded to pre-pandemic levels, recording an annual growth of 10 percent in December 2021 compared to 3.1 percent in December 2020.

Inflation rose slightly to an average of 3.7 percent in 2021, compared to 3.3 percent in 2020. This was, however, still below the country target of 3-5 percent and within the EAC and SADC convergence criteria of a maximum of 8 percent and 3-7 percent, respectively. The increase in inflation was mainly attributed to a rise in prices of food and transportation costs on account of an increase in global oil prices and persistent disruptions to global supply chains.

With respect to the stability of the currency, it is observed that the Tanzanian shilling traded at an average rate of TZS 2,297.8 per USD in 2021 compared with TZS 2,294.1 per USD registered in 2020, indicating a minimal annual depreciation of 0.16 percent.

Financial Performance

Against this background, it is with great honor that I present to you the Annual Report and Financial Statements for the year ended December 31, 2021. I am delighted to report to you that the bank is making steady strides in its recovery journey.

Due to various initiatives adopted by the bank, the loss dropped significantly to TZS 5.5 billion in 2021 compared to TZS 8.45 billion in 2020, underscoring a 35 percent improvement. The decrease in the loss was mainly due to cost containment measures and an improved management of non-performing loans. Similarly, impairment charges for the year decreased by 50 percent from TZS 4.4 billion in 2020 to TZS 2.2 billion.

Interest income increased modestly by 2 percent to reach TZS 25.4 billion compared to TZS 24.9 billion in 2020. Non-interest income increased by 9 percent to TZS 4.5 billion compared to TZS 4.2 billion in the previous year, largely due to an increase in transactions volumes. Customer deposits increased by 2 percent from TZS 121.9 billion in 2020 to TZS 124.5 billion in 2021. Net loans and advances remained flat at TZS 77.7 billion. Additionally, using the available excess liquidity, the bank increased its investment in government securities by TZS 18.3 billion of which TZS 15.2 billion was invested in treasury bonds. The bank's total assets increased by 5 percent to TZS 178.6 billion in 2021, from TZS 169.5 billion in 2020 due to additional capital injection.

Recapitalization

As indicated in my statement last year, the bank received a capital injection of USD7.31 million (equivalent to TZS16.99 billion) from our new strategic investor, The National Bank of Malawi (NBM) in January 2021, which resulted in NBM acquiring control of a 60.48 percent stake in the bank. Negotiations are still ongoing for NBM to acquire more shares from our international shareholders to reach the intended target of 75 percent.

In line with the business growth strategy and to ensure that Akiba Commercial Bank meets all regulatory capital requirements prescribed by the Bank of Tanzania, the bank received additional capital of USD 2.56 million (TZS 5.9 billion) in the form of preference shares from NBM in December 2021.

Board of Directors

The Board and Management welcomed Ms. Catherine Kimaryo (representing local shareholders), Mr. Benedict Mahona (representing PSSSF) and five (5) directors representing the National Bank of Malawi (NBM) who joined the Board in 2021. I would like to take this opportunity to thank fellow directors for their counsel, support, cooperation and direction during this transition year and the Covid-19 challenges which necessitated that all meetings be conducted online.
Strategy and Prospects

Following the bank's recapitalization in January 2021, the bank developed a new five-year strategic plan to run from 2021 to 2025 thus sealing a strategic partnership with the National Bank of Malawi (NBM) Plc. The new strategy aims at transforming the bank from a predominantly micro-lending institution to a fully-fledged commercial bank that can meet the banking needs of a wider cross section of its customer base.

Looking ahead, the economy is expected to grow by 4.7 percent in 2022 and 5.3 percent in 2023 while maintaining a single digit annual headline inflation rate of 5.4 percent in 2022/23. However, external shocks emanating from resurgence of Covid-19 variants and geo-political tensions pose challenges in unleashing areas of growth and opportunities.

Based on the foregoing, the Board envisages a continuation of the challenging operating environment due to the factors enumerated above. However, the Board is looking forward to 2022 with optimism as the bank positions itself to become a profitable entity by harnessing growth opportunities through the delivery of innovative customer offerings and operational efficiency.

Acknowledgements

I wish to take the opportunity to express my sincere gratitude to management and staff for their hard work, dedication, loyalty, resilience and commitment during a year full of unprecedented risks and uncertainties. I am confident that the Board can count on their continued commitment to turnaround the Bank into profitability in 2022 and sustain this in the coming years.

Yours faithfully,
Mr. Ernest Massawe
Board Chairman

Board of Directors

Mr. Ernest Massawe
Board Chairman

Macfussy Kawawa
Director

Harold Jiya
Director

Masauko Katsala
Director

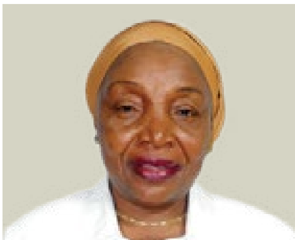
Catherine Kimaryo
Director

Zunzo Mitole
Director

Etness Chanza
Director

Benedict Mahona
Director

Prof. Josephat Lotto
Independent Director



Rukia J. Adam
Independent Director

AKIBA Mobile App

HUDUMA KIGANJANI

Pakua App

Download on the App Store

GET IT ON Google Play

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Managing Director's Statement

"The bank has committed to upgrade its core banking system (T24) to the latest available version (R21) in 2022. The upgrade will allow the bank to achieve a greater degree of automation, security, compliance and innovation of products and services through technology.

Introduction

The results of year 2021 indicates that the Bank is on the right path to recover from its underperformance in the past years. As the global economy continues to recover from the effects of the Covid-19 pandemic, we believe that the recovery will stimulate economic activities in the micro, medium and small enterprises (MSME) sub-sector that makes the bulk of our customers' base.

Throughout the year 2021, our focus was on the effective execution of the Bank's new strategy to enhance our performance across all the key parameters and ultimately, return the Bank to profitability. With a team of dedicated members of staff, we remain optimistic that our relatively improved performance in 2021 puts on us a positive momentum to unlock the Bank's future growth opportunities.

Industry Developments

The industry and the regulatory environment remained stable during the year. However, the Bank of Tanzania continued with the tightening of its supervision of the banking sector whereby during the first quarter of the year, it issued a directive requiring banks to maintain a cost-to-income ratio (CIR) of not more than 55 percent over a rolling period of twelve months and non-performing loans (NPLs) of not more than five percent of total gross loans.

In an effort to stimulate economic activities and increase commercial banks' lending to the productive sectors in the wake of the global Covid-19 pandemic, the

Bank of Tanzania (BOT) undertook several policy responses in July 2021:

Reduction of the statutory minimum reserve (SMR) for banks that would extend credit at an interest rate not exceeding 10 percent per annum to the agricultural sector.

Relaxation of the agent banking regulations by removing the requirement of business experience of at least 18 months for banking agents.

Provided a special loan amounting to TZS 1 trillion to banks at an interest rate of 3 percent for pre-financing or re-financing of the agricultural sector at an interest rate not exceeding 10 percent.

Reduction of risk weights for salaried loans from 100percent to 50 percent in an effort to increase private sector credit growth.

With these measures, the average commercial banks' liquidity and capital adequacy ratios remained strong. The banking sector's profit before tax grew by 48 percent to cross the TZS 1 trillion mark in 2021. The industry's total assets increased by 24 percent to TZS 38.7 trillion in 2021, largely driven by investment in government securities and loans, advances and overdrafts while the total income increased by 10 percent year on year. At industry level, non-performing loans (NPLs) to total gross loans ratio improved to 6.7 percent in 2021 while overall industry return on equity (ROE) and return on assets (ROA) stood at 13 percent and 2 percent respectively.

Financial Results

During the year under review, the Bank recorded a loss before tax of TZS 5,479 million compared with a loss before tax of TZS 8,446 million recorded in 2020, which was a 35 percent improvement. The decrease in the loss was mainly due to cost containment measures and an improved management of non-performing loans. Impairment charges for the year decreased by 50% from TZS 4.4 billion in 2020 to TZS 2.2 billion.

Interest income increased by 2 percent to reach TZS 25,427 million in 2021 compared to TZS 24,890 million in 2020. The modest increase was due to low business growth due to significant write-off of non-performing loans, the long-term impact of Covid-19 pandemic and a deliberate approach by management to book only quality assets.

Interest expenses increased by 4 percent to TZS 8,092 million compared to TZS 7,804 million in 2020. This was largely on account of a rise in deposits and reliance on expensive fixed deposits towards the end of 2020 to the third quarter of 2021. As a result, net interest income increased by 1 percent to TZS 17,335 million in 2021 compared to TZS 17,087 million in 2020.

Non-interest income registered a 9 percent increase to TZS 4,529 million compared to TZS 4,174 million in the previous year, largely due to the increase of the Bank's volume of transactions in 2021.

Customers' deposits increased by 2 percent from TZS 121,869 million in 2020 to TZS 124,473 million in 2021. in the growth of deposits was negatively impacted the Bank's deliberate initiative to reduce reliance on expensive fixed deposits that were contracted towards end of 2020 to address a liquidity challenge at the time. Net loans and advances remained flat at TZS 77,708 million compared to TZS 77,703 million in 2020.However, using the available excess liquidity, the Bank increased its investment in government securities by TZS 18,305 million of which TZS 15,208 million was invested in treasury bonds. Outlook

Although the bank was still loss making, I am convinced that the effective execution of the new strategy from 2021 has provided the bank with a foundation for business recovery in 2022 and beyond. The bank has committed to upgrade its core banking system (T24) to the latest available version (R21) in 2022. The upgrade will allow the bank to achieve a greater degree of automation, security, compliance and innovation of products and services through technology. It will move to diversify its products portfolio by re-introducing a bouquet of personal and corporate banking products and services.

The Bank plans to rationalize its current branch network and staffing with a view to increasing efficiency and proximity of services to our customers. It will also investigate possibilities of expanding to new regions currently not serviced during the tenure of the current business strategy.

Conclusion

I am thankful to the Chairman and Board of Directors for their oversight, guidance and support during this transition period with unprecedented challenges of the Covid-19 pandemic, a new management team and a new business strategy. My gratitude also goes to my senior management team and all members of staff for the hard work and dedication to navigate through this challenging operating environment.

Finally, I am indebted to our valued customers, partners, investors and all stakeholders for their continued support and trust in our Bank. We look forward to 2022 with optimism as we position ourselves to become a profitable bank and continue to focus on business growth through customer service and operational efficiency.

Mr. Silvest Arumasi
Managing Director

Senior Management Team

Mr. Silvest Arumasi
Managing Director

Arnold Makanda
Chief Finance Officer

Chemo Mutani
Chief Internal Auditor

Juliana Swai
Chief Operations Officer

Webster Kaunga
Chief Commercial Officer

Charles Kamoto
Head of Credit

Hamisi Malipula
Head of ICT

Bertha Simon
Head of Treasury

Niwaeli Mziray
Company Secretary

Robert Masala
Head of Human Resources

Dora Saria
Head of Marketing & Communications

Tetwigis Charles
Head of Risk & Compliance

SHAREHOLDER'S PROFILES

National Bank of Malawi plc is the leading bank in Malawi with a network of 33 Service Centres and over 130 Auto Teller Machines (ATMs), providing the Bank's customers 24/7 access to their accounts. The National Bank ATMs, branded Moneycard, also accept VISA and Mastercards. In order to facilitate payment and to make Malawi a cashless society, the Bank has installed over 1100 Point of Sale Devices (POS) in approximately 800 leading merchant shops, hotels, restaurants, hospitals and lodges. The Bank offers ease of use and convenience through its digital banking platforms - Mo626 Digital + mobile app and the BankNet 360 internet banking service. BankNet 360 is available for both Corporate and Personal customers. Detailed information on these platforms may be obtained from www.natbank.co.mw.

2022 is the final year in the Bank's Five-Year Strategic Plan (2018 - 2022) implementation. In this strategic cycle; the Bank has achieved significant milestones in its Digitisation drive, new product offerings and process optimisation. Notably, in the penultimate year of its current Strategic Plan, the Bank expanded its geographic footprint into the region through acquisition of shareholding in Akiba Commercial Bank (ACB) situated in Tanzania. ACB has strong roots for Small to Medium Enterprises (SMEs) and operates in 18 branches across Tanzania.

The Bank continues to make inroads on the use of data metrics to inform its decision making in response to current market requirements. The Bank draws its strength and success from its versatile Board which comprises a team of thirteen executive and non-executive directors as well as dedicated and passionate management and staff

The Bank's versatile management is well equipped to deal with both retail and corporate requirements with offerings that range from personal loans, consumer finance, home loans, working capital finance, project finance, agriculture loans, finance for imports and exports, to more complicated structures such as international trade finance, mortgages, and asset finance.

National Bank's Service Centre managers draw support from heads of functions at head office who have specialist skills and knowledge in credit management, treasury services, international trade, information technology, mortgages, asset finance, and legal aspects of banking, among others.

As a highly respected corporate citizen in Malawi, National Bank of Malawi plc is committed to making Corporate Social Investments to aid development of the Nation.

For further information, please contact any of our Service Centre Managers who will be ready to assist you. Alternatively, you may call the Bank's Call Centre on the toll-free number 626. You may also visit the bank's website: www.natbank.co.mw.

FOUNDED IN
1961

ACCION International

ACCION International, a world pioneer in microfinance, is a private nonprofit organization with the mission of giving people the financial tools they need including microenterprise loans, business training and other financial services to help them work their way out of poverty. It was founded in 1961 and issued its first microloan in 1973 in Brazil. Over time, the organization has helped build 62 microfinance institutions in 31 countries on four continents. Those institutions are currently reaching millions of clients. In the United States, the U.S. ACCION Network is the largest microfinance lending network in the country and has served tens of thousands of clients with over $275 million in loans since the inception
of its pilot program in 1991.

ACCION International is an innovator in financial access, pioneering many of the best practices and emerging standards in the industry providing a full range of management services, technical assistance and training, as well as investment and governance support to help financial institutions build institutional capacity and financial strength. In addition, ACCION International has created and continues to develop leading products andvservices that bridge the divide between commercial finance institutions andvthe working poor. Their business solutions focus on radically enhancingvefficiency and increasing versatility through product and delivery channel diversification.

ACCION International also provides support in the form of investment to micro finance institutions, helping them to build upon its other services and linking them with commercial banks and capital markets. Through equity and quasi-equity investments, as well as loan guarantees, it enables MFIs to strengthen core systems, access innovations, attract deposits, become independent of donor funds and establish financial leverage.

Est. in
2018

Public Service Social Security Fund (PSSF)

The Public Service Social Security Fund is a social security scheme established by Public Service Social Security Act of 2018. The main purpose is to collect contributions and payment of terminal benefits to employees of public service.The act shall apply in mainland Tanzania.

Members of PSSSF:
Employees in the public service employed after the commencement of PSSSF Act.
Employees who are members of the former schemes at the time of commencement of the PSSSF Act.
Employees employed after the commencement of the act in any specified corporation (company or corporation where the government or its agent owns more than 30% of the share)

Triodos Investment Management

Triodos-Doen Foundation and
Hivos Triodos Fund Foundation

Triodos-Doen Foundation (Triodos-Doen) and Hivos- Triodos Fund Foundation (Hivos-Triodos Fund) are microfinance funds managed by Triodos Investment Management, a 100% subsidiary of Triodos Bank, one of the world's leading sustainable banks. Triodos Investment Management has been a pioneering provider of capital to the microfinance sector since 1994. As an investor it wants to contribute to the development of a sustainable financial sector in developing countries that is based on fair pricing, transparency, access for all and care for the earth. Triodos Investment Management manages four funds that provide finance for around 95 MFIs in Latin America, Africa, Asia and Eastern Europe and hold equity stakes in 19 leading and innovative microfinance institutions and vehicles worldwide. At year-end 2011 the total assets under management in microfinance amounted to EUR 365 million.

Triodos-Doen and Hivos-Triodos Fund both started in 1994. Triodos-Doen is a joint initiative of DOEN Foundation and Triodos Bank; Hivos-Triodos Fund is joint-initiative of Dutch development organisation Hivos and Triodos Bank. In 2011, both funds sharpened their strategy by including the sustainability themes Foods & Agriculture and Energy & Climate within the financial sector in developing countries as an additional focus.
Investment Management BV, a 100% subsidiary of Triodos Bank, the leading values-driven bank in Europe. Triodos Investment Management has been a pioneering provider of capital to the microfinance sector since 1994. As an investor it wants to contribute towards the development of a sustainable financial sector in developing countries, based on the pillars of fair pricing, transparency, poverty alleviation and care for the earth. Triodos Investment Management manages four funds that provide finance for around 80 MFIs in Latin America, Africa, Asia and Eastern Europe. They hold equity stakes in 19 prominent microfinance institutions.

At year-end 2009 the total assets under management in microfinance amounted to EUR 236 million.

FEFISOL

FEFISOL fund (Fonds Européen de Financement Solidaire pour l'Afrique) was set up on July 12th, 2011 at the initiative of SIDI/France to leverage additional funds to increase the supply of financial services in developing regions of Africa. It is registered as a Specialised Investment Fund (SIF) in Luxembourg under the legal form of a "Société d'Investissement à Capital Variable" (SICAV).
Apart from SIDI, FEFISOL main shareholders are the European Investment Bank (EIB), FISEA (French Development Agency/PROPARCO), Norwegian Microfinance Initiative (NMI), the BOAD (West African Bank for Development), ALTERFIN / Belgium, ETIMOS / Italy.
SIDI was set up in 1983 as a private company limited by shares, on the initiative of the Catholic Committee against Hunger and for Development (CCFD). SIDI is the Investment Adviser and the Manager of FEFISOL.

FEFISOL is entirely dedicated to the African continent and benefits from the in-depth knowledge of SIDI in this region. At least 75% of FEFISOL portfolio is to be invested in Sub-Saharan Africa and the Indian Ocean. The remaining 25% will be invested in North Africa.
FEFISOL investment strategy is to support African organisations with high social and environmental added value and with a strong focus on rural and underserved areas. To do so FEFISOL finance Microfinance institutions but also producers' organisations and rural SMEs those are selling on fair trade and organic markets.
FEFISOL positions itself as a knowledgeable investor, with a medium term time frame, giving priority to the institutional strengthening of its partners and the economic development of their beneficiaries.
At end of 2015, FEFISOL has invested EUR 24 million in 50 organisations in 21 countries.

Est. in 1978

Inter-consult Ltd

From a humble beginning in 1978 in a small Dar es salaam office offering Civil and Structural Engineering services to an ISO 9001-2008 certified multi-disciplinary consultancy firm, Inter Consult Ltd has successfully delivered a full spectrum of services that bring infrastructure projects to life.
For three decades of consistent growth, we have worked with clients in virtually all industries, in both the public and private sectors, to identify, define and deliver innovative solutions to complex problems with exceptional commitment, excellence and results that inspire confidence.
Having been involved with over 400 projects ranging from a few hundred thousand to multi-million US Dollars in value, Inter-Consult has become a leading independent Tanzania based multi-disciplinary consultancy that is fully owned and managed by Tanzanians.

At the core of our mission is a pledge to our clients to provide the highest quality consulting services on time and for fair market value in all aspects of the construction industry including Architecture and Town Planning, Quantity Surveying, Structural, Mechanical and Electrical Engineering. We also offer services in Highway Engineering, Water Supply and Sanitation, Geotechnical and Materials Engineering, ICT and Project Management. By positioning ourselves as a dynamic and growing business with a turnover of TZS 5 billion, focused on meeting the clients changing needs, we have attained good performance standards. We effectively handle all stages of project management - from feasibility studies, planning and design to construction supervision that extends to commissioning.
We have also invested in companies like Akiba Commercial Bank Plc, Inter Press Ltd whose vision is towards poverty alleviation.

1993

Erncon Holdings Limited

Erncon Holdings Limited is a family investment company established in 1993 by Ernest S. Massawe and his family for the sole purpose of managing the family's various investment activities as well as its assets.
The initial directors of the company are all members of the Massawe family. To-date the company has experienced strong growth and has a diversified portfolio covering a number of sectors including tourism, industrial gases, insurance, assurance, banking, real estate, stock brokering, fund management, leasing, mining, mining services and logistics, transportation, and telecoms.

200
SHAREHOLDERS

Incofin CVSO

After 20 years Belgium's Incofin CVSO strives more than ever to achieve a double (financial and social) return. This balanced vision on investing convinced almost 200 new shareholders to join during 2011. It invests in MFIs that make a real difference to the quality of life of their stakeholders, their staff and their customers. Through the monitoring of a number of key social parameters, including the level and quality of service and the treatment of the environment and contribution to society, it manages to quantify an MFI's social performance. For its investments, Incofin CVSO adopts a set of well-defined criteria, taking into account the impact of the microfinance institution on the local

economy, the quality of its management, its financial situation, its track record, and the company's outlook. For each investment dossier a thorough due diligence is executed of the microfinance institution on site. After the investment, the investment file is carefully followed up. Incofin CVSO is a shareholder in Akiba Commercial Bank since 2003 and has, since the beginning, also taken up an active role in the board.

MFIs can find in Incofin a partner who actively works together with them to find a solution that suits them best. The fund is managed by Incofin Investment Management, a manager of 6 microfinance investment funds with EUR 300 million assets under management. Incofin Investment Management is taking care of this job with an international and multilingual team of 37 experts who are at the MFIs' disposal. Incofin CVSO currently cooperates with 30 partner institutions in 21 countries, reaching out to 1.8 million micro entrepreneurs.

FMO

Founded in 1970, FMO is a public-private development bank. The Dutch government is the major shareholder, holding a 51% stake. Other shareholders include large Dutch banks, employers' associations, trade unions and individual investors. Rated triple-A by Standard & Poor's, FMO complies with internationally-accepted banking standards and is supervised by the Dutch Central Bank. Its solid profile and high quality portfolio allows the bank to invest in higher risk markets, either with its own capital or on behalf of the Dutch government.

FMO believes a strong private sector leads to economic and social development, empowering people to employ their skills and improve their quality of life. It specializes in sectors where its contribution can have the highest long-term impact including financial institutions, energy, housing and agribusiness, food and water. When financing companies and projects in other sectors such as telecoms and infrastructure, the bank works with a worldwide network of partners with thorough expertise in that area. With an investment portfolio of EUR 5.9bn, it is one of the largest European bilateral private sector development banks.

FMO principally provides long-term finance as well as shorter-term project financing, working with clients to understand their specific needs, and tailoring financial packages to fit them. The bank's participation often acts as a catalyst – attracting interest from other suitable investors who would otherwise avoid what are still considered higher-risk projects.

LSF

The vision of establishing Akiba Commercial Bank was conceived by a discussion group which established itself in the late 80s comprising of individuals with varied interests and background brought together by a unified vision to see indigenous Tanzanians empowered economically.

The group realized that to achieve genuine economic uplift an institution would need to be established on a sound, reliable foundation to serve this paramount purpose.

In that period, the very idea of an indigenous owned and operated financial institution seemed to many a far-fetched dream, thus galvanizing faith and support in such a venture proved but a mountain to move. Even the international community represented in the country at the time didn't harbor interest in addressing the challenges that such an institution would ultimately help solve among ordinary citizens.

Nevertheless, the group's determination persevered and from that strand of adamancy Akiba Commercial Bank Plc was born. Following its registration as a company, the group proceeded to seek prospective investors in Dar es Salaam, Mwanza, Arusha, Moshi, Mbeya, and Dodoma. This effort didn't yield much fruit as a consequence of skepticism borne out the belief that local citizens couldn't establish, own, and operate their own bank. It was then decided to pursue local public corporations to own the bank and share its vision with the group. Only three corporations, NIC, PPF, and TDFL responded proactively, however their subscriptions couldn't satisfy the required capital threshold, leaving the entire effort still wanting.

This unique situation eventually compelled the group to invite foreign entities into ownership of the bank but with conditions favourable to the interests of indigenous investors first. A few institutions accepted the arrangement, and these were FMO and Triodos Bank of the Netherlands, and later INCOFIN of Belgium, and SIDI of France. It was this partnership that served as the bedrock for the successful rise of Akiba Commercial Bank, a bank that has since grown from strength to strength and is now focusing on becoming a significant institution in the banking sector in Tanzania.

Corporate Information

REGISTERED OFFICE	3rd Floor, Amani Place, Ohio Street P. O. Box 669, Dar es Salaam, Tanzania
MANAGING DIRECTOR	Silvest Uisso Arumasi 3rd Floor, Amani Place, Ohio Street P. O. Box 669, Dar es Salaam, Tanzania
"COMPANY SECRETARY	Niwaeli Mziray 3rd Floor, Amani Place, Ohio Street P. O. Box 669, Dar es Salaam, Tanzania
AUDITOR	KPMG The Luminary Plot No. 574, Haile Selassie Road Msasani Peninsula Area P. O. Box 1160, Dar es Salaam, Tanzania. TIN 101-269-027, VAT REG No. 10-007190R NBAA Reg. No. PF 020
LEGAL ADVISORS	Nyaruju Attorneys P. O. Box 127 Mwanza, Tanzania
HOLDING COMPANY	National Bank of Malawi Plc
ULTIMATE HOLDING COMPANY	Press Corporation Plc
BANKERS	Bank of Tanzania Mirambo Street, No. 10 P. O. Box2939, Dar es Salaam, Tanzania
CORRESPONDING BANKERS	National Bank of Malawi Plc BOA France

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

1. INTRODUCTION
The Board of Directors of Akiba Commercial Bank Plc submit their report and the audited financial statements for the year ended 31 December 2021 which disclose the state of affairs of Akiba Commercial Bank Plc ("the Bank").

2. INCORPORATION
The Bank is incorporated in Tanzania under Companies Act, 2002, domiciled in Tanzania as a Public Company Limited by shares.

3. PRINCIPAL ACTIVITIES
The principal activity of the Bank is the provision of banking and related services stipulated by the Banking and Financial Institutions Act, 2006. There has been no significant change in the principal activities of the Bank during the financial year ended 31 December 2021.

4. VISION AND MISSION

Vision
To be the bank of choice in Tanzania.

Mission
To provide inclusive, innovative financial solutions in the most efficient and sustainable manner.

5. THE BANK'S OPERATING MODEL

Banking Services

We provide banking services to individuals and businesses, including loans, mortgages, payments, savings, and advice and asset management. The Bank's target market is small and medium enterprises as well as individuals and corporate clients. The Bank is keen to develop various innovative products in the short, medium and long term. The details of the Bank's current and future products are included in Note 9 of this report.

In addition to the banking services to the customers, the Bank also provides and receives short term financing to local and international banks through interbank overnight lending platform.

Interest, fees and commissions

The Bank earns interest income from loans and advances, interbank overnight lending and investments in Government securities as well as from fees and commissions. The loans and advances, investment in government securities and interbank overnight lending are funded through customer deposits and capital and interbank borrowings. The Bank takes all measures to ensure the risks associated with these activities are managed properly. The Bank also receives fees and commissions in return of services extended to its customers in different aspects.

Use of funds generated

Income generated from day to day operations of the bank is used to meet its operating costs, reinvestment in business expansion and payment of returns to its investors.

Competition and Regulatory environment:

The Bank operates in a competitive environment both in products and size. In order to sustain competition, the Bank strives to ensure its product offerings that attract different types of customers.

The Regulatory environment has been stable during the year. The Bank of Tanzania and the Government continued to support the banking industry to ensure its full recovery from the COVID -19 pandemic shock. The Bank of Tanzania issued several guidelines which aimed at smoothening interest rates and stimulate credit growth especially in agriculture and SME. The Statutory Minimum Requirement (SMR) was reduced equivalent to the amount of loan extended to agriculture that are at rate not exceeding 10 percent. The agency banking regulation were also relaxed by removing the requirements of experience for applicants of agency banking business.

The Bank of Tanzania also set aside amounting to TZS 1 trillion to bank and financial institutions for on-lending to private sector. The caping of interest paid to mobile money trust accounts to interest paid on savings accounts aimed to provide relief to banks' cost of funds. Other measures included reduction of the risk weight on salaried loans from 100 percent to 50 percent in order to improve the capital ratios and enable banks to extend more credit to private sector.

The banking industry continued to recover from pandemic shocks and posted much better improved performance in 2021 (unaudited) compared to 2020. The results showed improved profitability, efficiency (decreasing cost to income ratio) and decreasing in non-performing assets.

Compliance with Laws and Regulations

The Bank's operating model is such that, it ensures voluntary compliance with Laws and Regulations. These include Regulations and Circulars issued by the Bank of Tanzania from time to time, compliance with tax laws, Employment Laws and environmental related regulations such as Occupations Safety and Health Authority (OSHA).

The Bank remitted all withholding taxes which include Skill and Development Levy, Pay As You Earn for its employees, Withholding tax on interest and other services.

The Bank has also ensured that employment related contributions are made on time. These include National Social Security Fund (NSSF) contributions and the Workers Compensation Fund (WCF) contributions.

Social and Environmental considerations

The Bank as a good social responsible citizen, tries to conduct its business in manner that will ensure environmental sustainability are observed. The Bank's screen process considers environmental impact of the funded business and where social and environment are impacted negatively, the Bank restrains from funding such businesses.

6. STAKEHOLDERS ENGAGEMENT

The Bank's relations with various stakeholders has been good during the year. The Bank believes that, stake holder engagement is key to its success. It is with this premise that, the Bank has kept cordial relationship with its employees, suppliers, customers, local communities where we operate, legislators and the Bank of Tanzania as its Regulator.

The Bank's plans are to enhance its stakeholders engagement by being innovative on how to engage while maintaining its primary focus in offering banking services to the public.

7. BUSINESS HIGHLIGHTS

The Bank's business concentrated in retail banking serving Small and Medium Enterprises and also on Personal and Corporate clients.

Corporate Business

The Bank truly embarked on the corporate space towards end of the year 2021. The Bank's plans for 2022 include building a portfolio of TZS 25.0 billion in liabilities and TZS 28.4 billion of assets from the corporate business space through provision of payment solutions, term loans, bank guarantees, overdrafts and invoice discounting to mention a few.

Retail Business

The Bank's book in retail business stood at TZS 124.5 billion in liabilities and TZS 77.2 billion in assets as at the end of the year 2021. The Bank's plans for year 2022 is to grow the retail book to TZS 155.9 billion and TZS 107.3 billion in liabilities and assets respectively.

For the year 2022 and beyond, the Bank will continue to drive growth in these segments by ensuring its value proposition captures the market needs and enhances customer experience.

8. RESOURCES AND RESOURCE REQUIREMENTS

In order for the Bank to create value, a number of resources are required un the current environment of future. The resource requirement is assessed continuously as the Bank implements its strategic activities. In order to sustain its presence and create value both to the shareholders and the nation as a whole, the following considerations are made as far as resources and resource requirements are:

Human resources

This is the most valuable resource any organization needs. The Bank's strategy is not only ensuring it has adequate numbers of staff but the right quality in terms of experience and qualifications. This is achieved by ensuring employees are properly remunerate with competitive packages. In additional remunerations, we ensure our employees work in a friendly and conducive and safe environment. Health care is key in ensuring adequate productivity. As such, the Bank has medical and other wellness benefits that are aimed to ensure employees stay health together with their dependants.

Financial resources

The secondly most important aspect of resources is access to finances. These includes cash, debt and equity that enable an organization to produce goods or provide services in total, we continued with our effort to preserve financial value in 2021 by reducing the ban's loss compared to year 2020 and forecasts are to start generating profits and increase financial value of the Bank. This has been achieved mainly due to cost containment with marginal growth in interest income and fees and commissions. The bank has been in the effort to ensure its portfolio is efficiently productive.

Structures

Workplace is becoming an important element of work place day in day out. We have seen a combination of working from home and at the office during the year due to pandemic, however we strive to make the Bank's work place more attractive to its staff and allow flex work style to maintain comfort on how to manage COVID-19 pandemic. Compared with 2020, there has been no major change on structures and work place resources.

Systems

The Bank takes IT investment seriously and is looking into enhancing its core banking system in the medium term in order to improve its service offering and increase better experience to the back office employees. Includes knowledge-based intangibles of an organization. The value of digital banking services increased during the year, there was more investment in intangible assets, such as IT services.

9. FUTURE DEVELOPMENT PLANS

The Tanzania economy has shown resilience and continued to recover from the impact of COVID-19 pandemic, owing to re-opening of the global economy and the relief measures introduced by the government. The GDP growth in first three quarters of 2021 is estimated at 4.9 percent compared with 4.8 percent in the corresponding period in 2020. Key contributors for the growth are construction, agriculture, mining and quarrying, manufacturing, transport and trade activities.

The growth in sub-Saharan Africa is projected to be 3.7 percent in 2022 and rebound to 4.0 percent in 2023 whereas growth in EAC region is estimated at 4.9 percent in 2021 and projected at 5.6 percent in 2022. The projected growth as based on the countries were affected by the pandemic and policy response measures adopted as well as vaccination programs.

As the economy continued to rebound the private sector credit growth gradually improved as the global economy was re-opened and the implementation of various policy measures adopted during the period. In Tanzania the credit growth averaged 5.9 percent in the first half of 2021/22, with a remarkable high growth of 10 percent recorded in December 2021 alone, attributable to the recovery of business and investment and policy measures taken by the government to improve credit to private sector and lower interest rates.

The estimated 2021 growth was revised downward from the initial 5.6 percent to 5 percent mainly because of the new waves of Covid-19 that impacted negatively some sectors including tourism and aviation. In 2022, growth is projected at 5.2 percent, this is expected to be driven by on-going public investment in infrastructure, transport due to logistics for intra-regional trade, mining and quarrying activities, manufacturing, agriculture, and private sector investment. Credit growth is expected to continue improve in 2022, supported by various policy measures under implementation, improving the business environment and the on-going recovery of the global economy.

The Board of Directors of the Bank approved a new five-year strategic plan to run from 2021 to 2025. The strategy, dubbed "Banking to Win" aims at transforming the Bank from a predominantly micro lending institution to a fully-fledged commercial bank that is capable of meeting the banking needs of a cross section of its clientele.

In line with the strategy, the Bank received additional capital of USD 2.56 million (TZS 5.9 billion) from the National Bank of Malawi, in December 2021 to provide a buffer for compliance and business growth.

The bank intends to implement the following transformative initiatives to achieve the objectives of the strategy in the planned time horizon.

9. FUTURE DEVELOPMENT PLANS (CONTINUED)

i). Core banking system upgrade

The Bank has committed to upgrade the core banking system (Temenos T24) to the latest version in 2022. The upgrade will allow the bank to leverage and achieve greater degree of automation and innovation of new products and services through technology. The Bank will use NBM Plc experience to acquire or utilize their IT platform to offer services.

Through upgrade and modernization of the IT systems, the bank will ensure increased compliance with legal and regulatory requirements for IT systems as well as increased security so that the bank and its stakeholders can conduct business with greater degree of assurance. Supporting systems will be introduced to support risk based assessments of the systems.

ii) New products and services

The Bank will move to diversify its products portfolio by re-introducing personal banking and corporate banking products and services such as letters of credit (LCs), bonds, guarantees, treasury and trade finance products. The Bank will move its agency banking that was introduced in August 2021 into a new platform, introduce internet banking, VISA debit cards and enhance the capability of both mobile banking and mobile banking applications by adding new functionalities.

The Bank has secured a bancassurance license that will allow the bank to offer insurance services to customer base for several insurance companies. The Bank will partner with these insurance companies to increase the market share to make insurance a key contributor to the on-interest revenue of the Bank.

iii) Branch rationalization

The Bank will rationalize its current branch network with a view to increase efficiency and proximity of services to our customers. The Bank will also look into expanding to new regions currently not serviced during the five years of the current business strategy.

iv) Culture

The bank has adopted a set of core values and has developed its organizational culture, priorities and decision-making framework based on these values. The Bank's stakeholders and staff share these values and are committed to ensuring that they are practiced across. The values include team work, integrity, commitment, respect and social responsibility.

10. THE BANK'S GOAL

The Banks's goal is to enhance its products and services profile by revamping the existing products and services and introducing new products based on the customers' demand. In addition, the Bank will strive to meet customers' expectations by conducting market research, training its staff in the areas of customer service and improving its internal processes by introducing interdepartmental Service Level Agreements (SLAs) and acquiring systems that will improve provision of services to customers.

11. TREASURY POLICIES AND OBJECTIVES

The Bank maintains a well-documented treasury policy where the treasury operations are defined to support the bank in providing a prudent risk management with regard to liquidity, foreign exchange and other financial risk within the balance sheet of the bank. It is the aim of these operations to optimise the return of banks' capital within the risk parameters set by the Assets and Liabilities Committee (ALCO) and approved by the Board of Directors. The overall objective of the treasury policy is to ensure efficient and profitable treasury operations.

Liquidity Risk Policy

This policy sets out the policy of the Bank towards managing liquidity. Liquidity Risk is the potential for loss to an institution arising from either inability to meet its obligations as they fall due or to fund increase in assets without incurring unacceptable cost or losses (BOT Risk Management Guidelines for Banks and Financial Institutions, 2010).

The bank is required to measure, monitor and manage on-balance sheet and off-balance sheet liquidity mismatch risk taking cognizance of regulatory requirements, business as usual liquidity conditions, stress liquidity scenarios, guidelines and limits as set by the ALCO, following consultation and approval by Board Risk and Compliance Committee and the Board.

Market Risk Policy

This policy sets out the control framework for Market Risk within the Bank. Market Risk is defined as the risk that the bank's earnings and capital or its ability to meet business objectives will be adversely affected by changes in the level of volatility of market rates or prices such as Interest Rates, Foreign Exchange Rates and Equity Prices.

12. SERVICE PERFORMANCE OBJECTIVES

During the year under review the Bank continued to enhance customer experience by among other things improving products and services as well as initiating efforts to introduce digital services with state of art technology that guarantees easy access, convenience and time saving. The organizational re-structuring also considered establishment of customer experience unit that deals with all matters relating to customer care, service delivery and complaints handling all gearing towards improvement of customers' experience.

13. POLITICAL LANDSCAPE

The year 2021 witnessed a change in leadership after the loss of His Excellency late John Pombe Magufuli. The peaceful transition of power was key to the economy and businesses. The coming in of the new government led by Her Excellency Samia Suluhu Hassan has seen a continuation of key infrastructure projects, improved diplomatic relations as well as a general improvement in the business environment. A COVID -19 vaccination campaign was launched by the government, and this has further increased confidence in the economy.

14. FINANCIAL REVIEW

Particulars	2021	2020	Change	Change
Total Income	29,955,885	29,064,089	891,796	3%
Total Expenses	(35,435,351)	(36,891,960)	1,456,609	4%
Prior years non-corporate taxes	-	(618,285)	618,285	100%
Loss before income tax	(5,479,466)	(8,446,156)	2,966,690	35%

Figures in Thousands of Tanzania Shilling

The Bank's results are set out on pages 26 to 29 of these financial statements. During the year under review, the Bank recorded a loss before tax of TZS 5,479 million compared with a loss before tax of TZS 8,446 million recorded in 2020. This represents 35% improvement of operating results when compared to previous year. The decrease in the loss was contributed by cost containment measures of the bank and improved management of non-performing loans. Impairment charge for the year decreased from TZS 4.4 billion to TZS 2.2 billion in current year representing approximately 50% decrease.

Interest income

Interest income during the year amounted to TZS 25,427 million compared to TZS 24,890 million in the previous year, representing an increase of 2% (TZS 536 million). The modest increase was due to low business growth especially on loan book caused by the long term impact of Covid 19 pandemic on business and a deliberate approach by management to book only quality assets.

Interest expense

Interest expense during the year amounted to TZS 8,092 million, as compared to TZS 7,804 million in the prior year, representing an increase of 4% (TZS 288 million). The increase in interest expense is mainly attributed to an increase in deposits and a greater reliance on more expensive fixed deposits from towards the end of 2020 to the third quarter of 2021.

Net Interest income

Net interest income (interest income less interest expense) during the year amounted to TZS 17,335 million, compared to TZS 17,087 million in prior year, representing an increase of 1% (TZS 248 million). This low growth was largely caused by the subdued business environment during the year.

Non - Interest income

Non-interest income amounted to TZS 4,529 million compared to TZS 4,174 million in the previous year, showing an annual increase of 9%. Non-interest income mainly includes fee and commission income, foreign exchange income and other operating income. Generally, the bank achieved an increase in volume of transactions in 2021.

Operating expenses

Operating expenses include employee benefits, general and administration expenses as well as depreciation and amortisation. Operating expenses amounted to TZS 24,945 million compared to TZS 24,538 million in prior year, representing a modest increase of 2% (TZS 407 million). This was within inflation increase, despite the creation of new positions for the new organization structure that aligns the bank with its new strategic plan.

Income tax expense

Income tax expense for the year amounted to TZS: NIL (2020: TZS 1,472 million). The Bank has determined an Alternative Minimum Tax (AMT) based on income of TZS 150 million which has been included in the operating expenses.

Review of financial position

Deposits

There was a net increase in customer deposits of TZS 2,604 million (2%) from TZS 121,869 million in 2020 to TZS 124,473 million as part of the drive to transform the bank into a more fully fledged lending and deposit taking institution. However, the increase in deposits was negatively affected by efforts to retire expensive fixed deposits that were contracted towards end of 2020 to meet liquidity challenges then.

14. FINANCIAL REVIEW (CONTINUED)

Review of financial position (Continued)

Loans and advances

Net loans and advances amounted to TZS 77,708 million which was almost the same level as previous year TZS 77,703 million due to the subdued business environment as well as deliberate efforts to book only quality assets.

Government securities

There has been an increase in investment in government securities of TZS 18,305 million (82%) of which TZS 15,208 million was investment in Governments Treasury bonds. This was as a result of efforts to invest in higher earning assets using available excess liquidity.

Review of Cash flows

During the year, the Bank's major source of cash flows was from the brought forward cash and cash equivalents balances of TZS 36,259 million (2020: TZS 18,624 million). The brought forward cash and cash equivalents balances included the capital injection of TZS 16,992 million which was received from National Bank of Malawi towards the end of 2020.

The Bank registered outflows of TZS 3,207 million (2020: outflows TZS 2,086 million) from loans and advances which was funded by TZS 2,604 million (2020: TZS 9,874 million) generated from customer deposits. The major use of the cash flow was investment in government securities of TZS 18,305 million (2020: inflows TZS 2,679 million).

The Bank's cash projections indicate that future cash flows will mostly be generated from deposits. The Bank will continue to implement different strategies to mobilise deposits by targeting individual depositors but also offering competitive rates for fixed deposits and improving cash collection solutions to big corporate customers, private and public institutions, and other agencies.

14. FINANCIAL REVIEW (CONTINUED)

Review of Cash flows(Continued)

Key Performance Indicators

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

Performance indicator	Definition and calculation method	2021	2020
Return on average assets	Net profit/Total assets	**(3.15%)**	(5.86%)
A measure of how well the bank uses its assets to generate profits			
Return on average equity	Net profit/Total equity	**(19.11%)**	(39.79%)
A financial ratio that measures the performance of a bank based on its average shareholders' equity outstanding.			
Non-interest income to total income	Non - interest income/Total income	**17.74%**	15.95%
Bank's income that has been generated by non-interest related activities as a percentage of total income			
Operating expenses to average assets	Operating expenses/average assets	**14.43%**	14.49%
A measurement of the cost to operate a piece of property compared to the income brought in by the property.			
Cost to Income Ratio	Operating expenses/(Net interest income +Non-interest income)	**109.31%**	115.34%
A measurement of compliance to Bank of Tanzania circular requiring banks to have not more 55% of cost to income ratio.			
Interest margin on earning assets	Non - interest income/Earning assets	**12.77%**	12.87%
A measurement of productivity of the Bank's earning assets.			
Growth on total assets	Trend (CY total assets – PY total assets/PY total assets *%	**5.39%**	(0.04%)
A measurement of the Bank's total assets growth.			

14. FINANCIAL REVIEW (CONTINUED)

Performance indicator	Definition and calculation method	2021	2020
Growth on loans and advances to customers	Trend (CY loans and advances – PY Loans and advances)/PY total loans and advances)*%	**0.01%**	(8.31%)
A measurement of the Bank's growth in loans and advances to customers, banks and staff.			
Growth on customer deposits	Trend (CY customer deposits – PY Customer deposits/PY customer deposits)*%	**2.14%**	8.82%
A measurement of Bank's ability to mobilise deposits from customers.			
Capital Adequacy			
Tier 1 Capital	Risk weighted assets including Off balance sheet items/Core capital	**13.50%**	14.40%
Tier 1+Tier 2 Capital	Risk weighted assets including off-balance sheet items/Total capital	**15.50%**	16.40%

14. FINANCIAL REVIEW (CONTINUED)

Key Performance Indicators

The key efficiency ratios of the Bank as at year end are as indicated hereunder:

Efficiency indicator	Definition and calculation method	2021	2020
Shareholders' funds to total assets	Shareholders' fund/ total assets	**16.18%**	16.81%
Indicates how much of the bank's assets have been generated by issuing equity shares rather than by taking on debt.			
Non-performing loans to total advances	Non - performing loans/ Gross loans and advances.	**15.72%**	12.58%
Indicates the percentage of non-performing- loans to total gross loans and advances			
Gross loans to total deposits	Total loans to customers/ Total deposits from customers.	**67.42%**	69.44%
Measures the bank's liquidity by comparing a bank's total loans to its total deposits for the same period.			
Loans to total assets	Loans/Total assets.	**83.82%**	83.19%
A measure of the bank's assets that are financed by debt rather than equity.			
Liquidity ratio	Liquid Assets/Liquid Liabilities	**49.87%**	51.29%
Measures the bank's ability to pay its short-term debt obligations			

Budget performance information

The Bank's net loss was TZS 5.5 billion which was above the budgeted loss by TZS 2.2 billion (67%). The total income was 97% off the budget with a shortfall of TZS 1.0 billion. This was mainly caused by negative variances in interest income from Biashara loans (TZS 1.5 billion), low commitment fees (TZS 427 million) and low mobile banking (wakala) commission (TZS 394 million).

The Bank's operating costs were above budget by 4% (TZS 933 million) mainly caused by staff costs which exceeded budget by TZS 1.5 billion (12%). Interest Expense (excluding leasing cost) is within budget with a saving of TZS 61.5 million or 1% and the Impairment Charges exceeded the budget by TZS 34.8 million (1%).

The Bank's total assets were 96% off budget with a shortfall of TZS 6.8 billion mainly due to a shortfall on budgeted deposits of TZS 12.7 billion or 9%. The net loans were below budget by 3% or TZS 2.6 billion.

15. GOING CONCERN AND SOLVENCY EVALUATION

The bank has met all the Bank of Tanzania regulatory Capital requirements. Nothing further has come to the attention of the Directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

The Directors consider the Bank to be solvent within the meaning ascribed by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006.

16. ACCOUNTING POLICIES

The annual financial statements are prepared on the underlying assumption of a going concern. The Bank's accounting policies, which are laid out in Note 3, are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

17. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board accepts final responsibility for the risk management and internal control system of the Bank.

It is the task of management to ensure that adequate internal, financial, and operational control systems are developed and maintained in an on-going basis to provide reasonable assurance regarding:

- Effectiveness and efficiency of operations.
- Safeguarding of the Bank's assets.
- Compliance with applicable laws and regulations.
- Reliability of accounting records.
- Business sustainability under normal as well as adverse conditions: and
- Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance to such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Bank's systems are designed to provide the Board with a reasonable assurance that procedures in place are operating effectively.

17. RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

The Board assessed the Bank's internal control systems throughout the financial year ended 31 December 2021 and is of the opinion that they met the generally accepted banking industry criteria. The Board carries out risk management and internal control assessment through Board Audit Committee and Board Risk and Compliance Committee.

18. MANAGEMENT OF THE BANK

The Bank is under the supervision of the Board of Directors and the day to day management is entrusted to the Managing Director supported by the senior management team.

The organization structure of the Bank comprises the following Departments: -

- Finance department
- Treasury department.
- Operations department.
- Marketing and Communications department.
- Commerce department.
- Human Resources department.
- Information & Communication Technology department.
- Risk & Compliance department.
- Legal department.
- Credit department
- Internal Audit department (Reporting directly to the Board Audit Committee).

19. COMPOSITION OF THE BOARD OF DIRECTORS

The Bank has a broad-based Board of Directors comprising of Non-Executive Directors. The Chairman and all other members of the Board of Directors are appointed by the shareholders.

The Directors of the Bank, who held office throughout the year and to the date of this report, were as follows:

S/N	Name	Position	Nationality	Age	Date of appointment
1	Mr. Ernest Saronga Massawe (Alternate: Andrew Saronga Massawe)*	Chairperson	Tanzanian	77	25-Jun-11
2	Prof. Josephat Daniel Lotto*	Member	Tanzanian	46	7-Feb-19
3	Ms. Rukia Adam Juma**	Member	Tanzanian	65	7-Feb-19
4	"Ms. Catherine Nchanasaa Kimaryo** (Alternate: Rose Joseph Lyimo)"	Member	Tanzanian	45	23-Mar-21
5	Mr. Macfussy Michael Kawawa*	Member	Malawian	57	3-May-21
6	Mr. Harold Nester Jiya*	Member	Malawian	51	3-May-21
7	Mr. Masauko Nelson Katsala*	Member	Malawian	54	3-May-21
8	Ms. Zunzo Esnat Mitole**	Member	Malawian	48	3-May-21
9	Ms. Etness Chanza**	Member	Malawian	51	3-May-21
10	Mr. Benedict Kuhenga Mahona*	Member	Tanzanian	41	28-Sep-21

20. DIRECTORS' REMUNERATION

The remuneration for services rendered by the non-executive Directors of the Bank in 2021 was TZS 204.8 million (2020: TZS 120.1 million). Further details of Directors' remuneration are included in Note 30 of the financial statements.

21. CORPORATE GOVERNANCE

All Directors and employees adhere to the principles of the Code of Conduct and Ethics in all their dealings on behalf of the Bank. The Code of Conduct and Ethics ensures that all actions are in the overall best interests of the Bank and reflect the commitment to maintain the highest standards of integrity, ethical behaviour and compliance with all applicable internal and external laws and regulations.

The Directors are committed to the principles of good corporate governance and recognize the need to conduct the business in accordance with generally accepted best practice. In so doing, the Directors therefore, confirm that:

- The Board of Directors met regularly throughout the year.
- They retain full and effective control over the Bank and monitor senior management.
- The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance.

In addition, the Board constituted the following Board committees:

Board Audit Committee

This Committee assists the Board in fulfilling its responsibilities by reviewing the financial condition of the Bank, its internal controls, ensuring compliance with applicable legislation and the requirements of regulatory authorities, reviewing reports and following up on matters raised by the external auditors, internal auditors and Bank of Tanzania.

The Committee meets at least four times in a year. The Board Audit Committee members who served in the Committee during 2021 were:

Name	Position	Nationality
Prof. Josephat Daniel Lotto	Chairman	Tanzanian
Ms. Rukia Adam Juma	Member	Tanzanian
Mr. Masauko Katsala	Member	Malawian

Board Credit Committee

This Committee assists the Board in fulfilling its primary responsibilities in reviewing the Bank's overall lending policy, conducting independent loan reviews, delegation and review of lending limits and is overall responsible for the management of Credit Risk.

The Committee meets a minimum of four times in a year. The Board Credit Committee members who served in the Committee during 2021 were:

Name	Position	Nationality
Mr. Harold Jiya	Chairperson	Malawian
Ms. Etness Chanza	Member	Malawian
Mr. Benedict Mahona	Member	Tanzanian

Board Risk and Compliance Committee

This Committee assists the Board in fulfilling its primary responsibilities by establishing and implementing the Risk Management process of the Bank in line with the Bank of Tanzania Guidelines as well as risk identification, evaluation, measurement, and monitoring of the Risk Management process.

The Committee meets a minimum of four times in a year. The members of the Committee are:

Name	Position	Nationality
Ms. Catherine Kimaryo	Chairperson	Tanzanian
Ms. Zunzo Mitole	Member	Malawian
Mr. Benedict Mahona	Member	Tanzanian

Board Governance and Human Resources Oversight Committee

This committee has been delegated with the responsibility from the Board to ensure implementation of good governance, review of the governance tools and policies. The committee also has responsibility to undertake structured assessment of candidates for Senior Management positions, consider and review the human resources management and remuneration policies.

21. CORPORATE GOVERNANCE (Continued)

Board Governance and Human Resources Oversight Committee (Continued)

The Committee meets a minimum of four times in a year. The members of the Committee are:

Name	Position	Nationality
Mr. Macfussy Kawawa	Chairperson	Malawian
Ms. Etness Chanza	Member	Malawian
Ms. Catherine Kimaryo	Member	Tanzanian

22. CAPITAL STRUCTURE AND SHAREHOLDING

As at 31 December 2021, the Bank had 277 shareholders (2020: 276 shareholders).

The Capital structure and shareholding position of the Bank as at 31 December 2021 was as follows:

	2021		2020	
Shareholder	**Number of ordinary shares**	**Percentage (%)**	**Number of ordinary shares**	**Percentage (%)**
National Bank of Malawi	16,813,000	60.48	-	-
Accion International	1,721,456	6.19	1,721,456	15.67
PSSSF	963,957	3.47	963,957	8.78
Stichting Hivos – Triodos Fonds	683,335	2.46	683,335	6.22
INCOFIN CVSO	617,850	2.22	617,850	5.62
FMO	595,443	2.14	595,443	5.42
Inter Consult Limited	568,811	2.05	568,811	5.18
FEFISOL	434,022	1.56	434,022	3.95
Sustainable Finance Foundation	430,798	1.55	430,798	3.92
Erncon Holdings Limited	1,808,627	6.51	1,808,627	16.47
Other Shareholders	3,160,117	11.37	3,160,117	28.77
Total	**27,797,416**	**100**	10,984,416	100

22. CAPITAL STRUCTURE AND SHAREHOLDING (Continued)

Directors' holding shares at the Bank are listed below:

Name	Nationality	Ordinary shares of TZS 1,000 each	Nominal value TZS 000	Ordinary Shareholding %
Mr. Ernest Saronga Massawe (Ercon Holdings Ltd)	Tanzanian	1,808,627	1,808,627	7.00
Ms. Catherine Kimaryo	Tanzanian	15,122	15,122	0.05

23. PRINCIPLE RISKS AND UNCERTAINTIES

The Bank operates in an environment which exposes it to various risks. The key risks that may significantly impact the Bank's short-to-medium term strategy are mainly Credit, Information and Communication Technology (ICT), Operational, Compliance, Market, Liquidity, Strategic and Reputational risk.

Below, we provide a description of these various risk categories that the Bank faces.

Credit risk

The Bank is exposed to credit risk for the loans and advances lent to customers as well on the money lent to other financial institutions in an event that such entities fail to honor their obligations. This is the risk resulting from the possibility that a financial asset may not result in a cash receipt (or equivalent) as per the terms of the contract. The Bank has put in place various credit related controls to its exposure to credit risk is minimized. These measures include, robust credit sanctioning process, adherence to approval limits, disbursement controls, continuous monitoring and a well-documented risk appetite.

ICT risk

The risk that IT systems could fail due to either function related default or even due to cyber attacks cannot be underestimated. Information and communication technology is key in supporting business processes/standards of the bank and as such, we take the ICT side of business very seriously. ICT Risk results from inadequate or failed ICT Strategy, ICT Project and Program or ICT Operations. The Bank has checks in place to limit its exposure to ICT risk and performs regular monitoring to validate the efficacy of its ICT risk controls.

Liquidity risk

The risk arising from the inability of the Bank to accommodate decreases in liabilities or to fund increases in assets in full, at the right time and place, and in the right currency. If a Bank is seen to be illiquid it cannot obtain sufficient funds, either by increasing liabilities or converting assets promptly or at a reasonable cost. The Bank has stringent controls and monitoring mechanisms in place to limit its exposure to liquidity risk.

Compliance risk

The Bank operates in an environment where it is required to comply with various Laws and Regulations. There is therefore an exposure of being fined or suspended from carrying business due to violations of, or non-compliance with laws, rules, regulations put by authorities and regulators. Management continually ensures that the Bank complies with relevant laws, rules, regulatory requirements through its Risk and Compliance Departments and the responsible Board Risk Committee.

Market risk

While the Bank engages in trading cautiously, there is a risk of a potential decrease in shareholder's value as a result of adverse changes in the market value of assets and liabilities. Market risk associated with trading activities is the risk of loss occurring as a result of trading in interest rate and foreign exchange. The Bank has stringent controls and monitoring mechanisms in place to limit its exposure to market risk.

Strategic risk

Strategic risk occurs when it is hard to decide to make and implement quickly decision that could reverse an unattractive or adverse impact to the business. Strategic risk ultimately has two elements: one is doing the right thing at the right time (positioning) and the other is doing it well (execution). Strategic risk includes the risk that the Bank's strategy may be inappropriate to support sustainable future growth. The Bank has strong controls in place to mitigate strategic risk, including regular strategic risk reviews at Board and Management levels.

Reputational risk

As the Bank offers products to various customers and interacts with the community, there is a risk that an activity by the bank or its employee or stance taken by the Bank's officials will impair its image in the community and/or the long-term trust placed in the Bank by its stakeholders resulting in the loss of business or the threat or legal action. The Bank has a communication policy which provides guidance on who should engage the public and how they should conduct themselves. In addition, the Bank's values and code of ethics formulate the culture of the Bank and as such help to preserve the reputation of the Bank. Consequences for reputational related offences are very stringent.

Operational risk

The overall responsibility of managing operational risks - the risk arising from failed or inadequate internal processes, people, systems and external events - is vested with the Board of Directors. The Board through the Board Risk Committee, issues policies that guide management on appropriate practices of operational risk mitigation. The Head of Risk assures the Board Risk Committee of the implementation of the said policies.

The following are key measures that the Bank undertakes in managing operational risk:

- Documentation of procedures and controls, including regular review and updates to reflect changes in the dynamic business environment.
- Appropriate segregation of duties, including the independent authorisation of transactions
- Reconciliation and monitoring of unusual transactions
- Monitoring of compliance with regulatory and other legal requirements
- Reporting of operational losses and ensuring appropriate remedial action to avoid recurrence.
- Development and implementation of Business Continuity and Disaster Recovery Plans
- Training and professional development of employees to ensure they are well equipped to identify and mitigate operational risks in a timely manner.
- Establishment of ethical practices at business and individual employee's level.
- Implementation of Risk mitigation parameters, including insurance where this is considered effective.

The entire operational risk management framework is subjected to periodic independent audits (internal) in order for the bank to obtain an independent opinion on the effectiveness and efficiency of the framework. Further, the findings of the Internal Audit department are reviewed by the Board Audit Committee and recommendations made implemented in line with the agreed timeframe.

Environmental and social risk

Currently businesses are increasing their focus to risks related to business sustainability. Environmental and social risks are therefore becoming focus of discussion risks to various business including banks. The risks that the Bank could bear the consequences of socio-environmental fall-out of transactions. Such risks could arise from failure of the bank to assess the impacts of activities (of both the bank and its clients) which could harm the environment or have negative social impact.

The Bank is aware that it has a responsibility to ensure that its internal practice and its lending activities do not have negative environmental and social impacts and is thus committed to ensure that such risks are sufficiently managed through its environmental and social management policy and by adopting the country's labour and environmental laws. The Bank also adheres to international best practice (IFC performance standards and ILO standards as ratified by the Tanzanian government). An environmental and social management system is put in place to ensure due diligence and monitoring of the environmental and social risk is done efficiently. Compliance to these laws is monitored by the compliance function.

The Directors are responsible for selection and disclosure of the Bank's critical accounting policies and estimates and the application of these policies and estimates.

24. RELATED PARTY TRANSACTIONS

Transactions during the year with related parties were conducted at terms and conditions like those offered to other clients and in the normal course of business. Details of all related party transactions and balances are disclosed in note 30 to these financial statements.

25. EMPLOYEE WELFARE

Relationship between management and employees

The relationship between employees and management continued to be cordial. Complaints are resolved through meetings and discussions and the Bank has set up appropriate management committee forums for this purpose. Work morale is good and there were no unresolved complaints from employees.

Training People Development

The Bank continued to expose staff on various technical and soft skills program as a demonstration of management's commitment to improving staff skills in the provision of core banking services. The Bank strategy also has a key focus to address staff capacity gaps and develop appropriate skills capable of discharging flawless operations across all levels in the organization.

In 2021 the Bank invested TZS 235 million in development of its staff. The training budget achieved a saving of 23% as a result of conducting most training programs virtually due to COVID – 19. By utilising the Banks online training platform, staff capacity building programs were conducted and cost savings were also realised compared to the year 2020. Considerable training interventions both classroom and on the job were done to bridge the identified staff skills and performance gaps.

Health Wellness and Financial Assistance to Staff

The Bank's staff enjoy all-inclusive medical cover for all staff including spouse plus four dependents per employee. Strategy Insurance Tanzania Limited continued to provide this service after successful renewal of their contract that included enhanced service cover and service level agreement. Apart from medical cover the Bank' contributes to Workers compensation Fund as required by the Workman's Compensation Act.

Occupational Safety, Health and Environment

The Bank took reasonable steps to safeguard the health, safety, and welfare of its employees. A safe and conducive working environment was availed to all employees by providing adequate working tools, proper personal protective equipment, hygiene, training, and supervision. The Bank's workplaces were visited by labour inspectors and were found to comply with appropriate government regulations.

Financial Assistance to employees

The Bank provided different types of financial support to improve the welfare of its employees, including staff loans.

The Bank provided housing, personal and car loans to staff to enable them to meet their financial requirements and promote economic development. Staff loans are in line with industry best practice and based on specific terms and conditions approved by the Board of Directors.

Financial Assistance to employees

Periodically the Bank reviews its staff loan scheme (personal loans and mortgage) to ensure the offering contains terms and conditions comparable to competitors.

Loan eligibility remains contingent on the individual credit assessment, and at the management's discretion as to the need and circumstances. Due efforts to retain and attract talent, Fixed Term Employees are eligible for personal loans within their contract tenure.

Retirement benefits

The Bank makes contributions in respect of staff retirement benefits to the National Social Security Fund. The total number of employees, at the year end, was 406 (2020: 418).

Disabled persons

Applications for employment by disabled persons are always considered bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Bank continues and appropriate training is arranged, where necessary.

Gender parity

The Bank is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Bank continues, and appropriate training is arranged and thrive to ensure the working environment is conducive. It is the policy of the Bank that training, career development and promotion of disabled persons are monitored with extra care and attention.

As at December 2021, the Bank had 406 employees and female employees accounted for 60% of the workforce whilst male was 40% of the total staff population (2020: 418 employees, out of whom 61% were women and 39% were men).

26. POLITICAL DONATIONS

The Bank did not make any political donations during the year (2020: Nil).

27. CORPORATE SOCIAL RESPONSIBILITY

The Bank recognizes its role and position in the society by undertaking several Corporate Social Responsibility (CSR) initiatives. These initiatives are geared towards giving back to society as well as looking into people's welfare as a caring companion.

28. ENVIRONMENTAL CONTROL PROGRAMME

The Bank has a Corporate Social Responsibility Policy, part of which addresses environmental control programmes. The Bank acknowledges the seriousness of global environmental issues and therefore acts voluntarily and affirmatively to protect the environment by seeking to minimize any adverse environmental impact in the way the Bank operates. The Bank is committed to the prevention of environmental pollution and follows relevant environmental laws in the areas we operate as a minimum standard and seeks to implement best practices wherever possible.

29. PREJUDICIAL ISSUES

There are no matters outside the control of the Bank which could have resulted in the Bank failing to achieve its objectives.

30. STATEMENT OF COMPLIANCE

The report of directors has been prepared in full compliance with Tanzania Financial Reporting Standard No. 1 the Report by Those Charged with Governance.

31. APPOINTMENT OF THE AUDITOR

The Bank of Tanzania through its Regulation on External Auditors of Banks requires that an external auditor is appointed through a competitive tender for a first term period of three years and a competitive tender for the second term where the incumbent auditors is allowed to participate. The Regulation imposes a mandatory auditor rotation after the second term of three years or maximum of six years. The auditor is required to cool off for three years after the second term before participating in the tender for audit of the Bank.

32. THE AUDITOR

The auditor, KPMG has expressed their willingness to continue in office and are eligible for Re-appointment. A resolution proposing their reappointment will be put to Annual General Meeting.

BY ORDER OF THE BOARD

Mr. Ernest Massawe
Chairperson

Date: 31/03/2022

Prof. Josephat Lotto
Director

Date: 31/03/2022

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

The Bank's Directors are responsible for the preparation of the financial statements that give a true and fair view of Akiba Commercial Bank Plc comprising the statement of financial position at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002 as well as Banking and Financial Institutions Act, 2006.

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

The Directors have assessed the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern for a period of at least next twelve months from the date of this statement.

The independent auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of financial statements

The financial statements of the Bank, as identified in the first paragraph, were approved by the board of directors on **31/03/2022** and signed by:

BY ORDER OF THE BOARD

Mr. Ernest Massawe	**Prof. Josephat Lotto**
Chairperson	**Director**
Date: 31/03/2022	Date: 31/03/2022

DECLARATION OF THE CHIEF FINANCE OFFICER FOR THE YEAR ENDED 31ST DECEMBER 2021

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

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing the financial statements of the Company showing true and fair view position of the Company in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Tanzania, 2002 and the Banking and Financial Institutions Act, 2006. Full legal responsibility for financial statements rests with the Board of Directors as indicated in the statement of Directors' responsibilities.

I Arnold Makanda being the Chief Finance Officer of Akiba Commercial Bank Plc hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2021, have been prepared in compliance with the International Financial Reporting Standards, the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

I thus confirm that the financial statements of Akiba Commercial Bank Plc comply with applicable accounting standards and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.

Signed by:

Arnold Makanda

Position: Chief Finance Officer

NBAA Membership No: TACPA 4076

Date: 31/03/2022

AKIBA COMMERCIAL BANK PLC
benki kwa maendeleo yako
Bimika! 360°
Akiba Bancassurance
Hofu ya hasara na majanga ya mali
na maisha yako haipo tena
Sanlam
Live with confidence
Britam
Alliance Life
Strategis Insurance
NIC
SISI NDIYO BIMA
Heritage Insurance Co
Tanzania
"With us …rest assured…"
Jubilee Insurance
Alliance Insurance
Covering Risk. Improving Lives.
BUMACO INSURANCE COMPANY LIMITED
www.acbbank.co.tz
YEARS OF IMPACTING LIVES
25 YEARS ANNIVERSARY

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Tel: +255 22 2600330
Fax: +255 22 2600490
Email: info@kpmg.co.tz
Web: www.kpmg.com/eastafrica

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AKIBA COMMERCIAL BANK PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Akiba Commercial bank Plc ("the Bank") set out on pages 26 to 96 which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Akiba Commercial Bank Plc as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2002 and 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 financial statements section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Impairment of loans and advances to customers

Refer to notes 3(f)(iii), 4(a) and 17 to the financial statements

The Key Audit Matter	The Key Audit Matter
As at 31 December 2021, the gross loans and advances to customers amounted to TZS 83.9 billion and the allowance for impairment amounted to TZS 6.2 billion. Measurement of expected credit loss (ECL)/ impairment on loans and advances is a key audit matter as the determination of expected credit losses is highly subjective, involves significant level of judgement applied by management and the ECL is a significant estimate. For the year ended 31 December 2021, the impact of Covid-19 has been reflected in the estimation of expected credit losses hence increasing the level of estimation uncertainty. Macro-economic variables applied on the estimation of probabilities of default have also been impacted significantly. The key areas where we identified significant levels of management judgement and therefore increased levels of audit focus are: ■ Assumptions used in determining criteria for significant increase in credit risk where both quantitative and qualitative considerations accounted for staging decisions. ■ Choosing appropriate models and assumptions for the determination of probabilities of default (PD); exposures at default (EAD) and loss given default (LGD); and ultimately measurement of Expected Credit Loss (ECL). This included consideration for significant judgements around segmentation as well as various LGD modelling assumptions including time to realisation of collaterals as well as collateral values. ■ Establishing the various macroeconomic variables as well as weightings applied to the forward-looking scenarios for each segment and therefore the associated impact on ECL.	Our audit procedures in this area, included: ■ Assessing the design and implementation as well as operating effectiveness of controls, over the compilation and review of the early warning list, credit file review processes, approval of external collateral valuation vendors and controls over the approval of significant individual impairments; ■ Evaluating management's model for establishing stage 3 impairment by challenging reasonability of management assumptions through comparing previous year's estimate to actual outcome in the current year. ■ For a sample of loan exposures, we assessed whether the facilities had been correctly staged/classified and the resulting ECL reasonably determined based on IFRS 9 Financial Instruments requirements.; ■ For a sample of key data inputs and assumptions impacting PD assumptions and economic forecasts, evaluated the reasonableness by assessing the accuracy of economic forecasts and challenging PD assumptions applied by involving our financial risk management specialists and data analysts in the reperformance of the economic forecasts and PDs; ■ Evaluating the appropriateness of the Bank's IFRS 9 methodologies including the significant increase in credit risk (SICR) criteria used by assessing reasonableness of qualitative staging decisions and accuracy of quantitative staging criteria; ■ Assessing the ECL calculations to verify if the correct parameters, namely PDs, LGD and EADs were appropriately determined by considering local economic/portfolio factors with assistance from our Financial Risk Management specialists in reviewing the macroeconomic aspects of the model; ■ Evaluating the adequacy of financial statements disclosures in accordance with the requirements of IFRS 9, Financial Instruments, including disclosures of key assumptions and judgements relating to ECL.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in *Akiba Commercial Bank Plc Report and Financial Statements for the year ended 31 December 2021 but* does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and in the manner required by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the Directors are responsible for assessing the 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 Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 based on these financial statements.

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

We communicate with 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.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe

Report on the Audit of the Financial Statements (Continued)

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

these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

- in our opinion, proper accounting records have been kept by Akiba Commercial Bank Plc;
- the individual accounts are in agreement with the accounting records of the Bank;
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit;
- directors' report is consistent with the financial statements; and
- information specified by the law regarding Directors' emoluments and other transactions with the Bank is disclosed.

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

Nothing has come to our attention that causes us to believe that the Bank has not complied with the Banking and Financial Institutions Act, 2006 and its regulations including computation of its capital position.

KPMG
Certified Public Accountants (T)

Signed by CPA Alexander Njombe (ACPA 2714)
Dar es Salaam
Date: 01/04/2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2021

	Notes	2021 TZS '000	2020 TZS '000
Interest income calculated using effective interest method	6(a)	**25,305,992**	24,890,266
Other interest income	6(b)	**120,536**	-
Interest expense	7	**(8,091,698)**	(7,803,567)
Net interest income		**17,334,830**	17,086,699
Credit impairment losses	17	**(2,249,197)**	(4,405,197)
Net interest income after impairment losses		**15,085,633**	12,681,502
Fees and commission income	8	**3,653,800**	3,227,208
Foreign exchange income	9	**239,816**	286,005
Other operating income	10	**635,741**	660,610
Employee benefits expenses	11	**(14,123,406)**	(13,056,848)
Other expenses	12	**(8,651,618)**	(8,951,998)
Depreciation and amortization	13	**(2,319,432)**	(2,674,350)
Prior years non-corporate tax assessments		**-**	(618,285)
Loss before tax		**(5,479,466)**	(8,446,156)
Tax expense	14(a)	**-**	(1,471,722)
Loss for the year		**(5,479,466)**	(9,917,878)
Other comprehensive income for the year		**-**	-
Total comprehensive loss for the year		**(5,479,466)**	(9,917,878)

The notes set out on pages 63 to 151 form an integral part of these financial statements.
Auditor's report is on pages 53 to 57

STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2021

	Notes	2021 TZS '000	2020 TZS '000
ASSETS			
Cash and balances with Bank of Tanzania	15	**23,642,810**	22,890,194
Balances with other banks	16	**613,050**	17,320,437
Loans and advances to customers	17	**77,708,747**	77,703,439
Government Securities	18	**40,664,445**	22,359,141
Unquoted equity investment	19	**39,000**	39,000
Current income tax asset	14(c)	**2,613,540**	2,613,540
Property and equipment	20	**15,076,385**	14,813,475
Intangible assets	21	**572,663**	730,192
Deferred income tax	22	**7,067,003**	7,067,003
Other assets	23	**10,611,383**	3,937,140
TOTAL ASSETS		178,609,026	169,473,561
LIABILITIES			
Deposits from other banks		**5,991,228**	713,380
Deposits from customers	24	**124,473,417**	121,869,315
Lease liability	25	**15,503,765**	14,335,565
Other liabilities	26	**3,766,972**	4,090,191
TOTAL LIABILITIES		149,735,382	141,008,451
SHAREHOLDERS EQUITY			
Share capital	28(a)	**27,797,416**	10,984,416
Advance towards share capital	28(c)	**5,888,000**	16,992,072
Share premium	28(b)	**2,431,917**	2,431,917
Accumulated losses		**(12,100,902)**	(5,626,989)
Regulatory reserve	28(d)	**4,857,213**	3,683,694
TOTAL EQUITY		28,873,644	28,465,110
TOTAL LIABILITIES AND EQUITY		178,609,026	169,473,561

The financial statements on pages 18 to 86 were approved and authorised for issue by the Board of Directors on 9 April 2021 and signed by:

Mr. Ernest Massawe
Chairperson

Prof. Josephat Lotto
Director

The notes set out on pages 63 to 150 form an integral part of these financial statements.

Auditor's report is on pages 51 to 55

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2021

	Share capital	Advance Towards Share Capital	Share premium	Retained earnings	Regulatory reserve*	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
At 1 January 2021	**10,984,416**	**16,992,072**	**2,431,917**	**(5,626,989)**	**3,683,694**	**28,465,110**
Transactions with owners of the bank						
Transfer to Share Capital	**16,813,000**	**(16,992,072)**	**-**	**179,072**	**-**	**-**
Advance towards share capital	**-**	**5,888,000**	**-**	**-**	**-**	**5,888,000**
Loss for the year	**-**	**-**	**-**	**(5,479,466)**	**-**	**(5,479,466)**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**-**	**(5,479,466)**	**-**	**(5,479,466)**
Transfer to/from retained earnings	**-**	**-**	**-**	**(1,173,519)**	**1,173,519**	**-**
	-	**-**	**-**	**(6,652,985)**	**1,173,519**	**(5,479,466)**
At 31 December 2021	**27,797,416**	**5,888,000**	**2,431,917**	**(12,100,902)**	**4,857,213**	**28,873,644**
At 1 January 2020	10,984,416	-	2,431,917	4,687,639	3,286,944	21,390,916
Transactions with owners of the bank						
Advance towards share capital		16,992,072		-		16,992,072
Loss for the year	-	-	-	(9,917,878)	-	(9,917,878)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	(9,917,878)	-	(9,917,878)
Transfer to/from retained earnings	-		-	(396,750)	396,750	-
	-	-	-	(10,314,628)	396,750	(9,917,878)
At 31 DECEMBER 2020	10,984,416	16,992,072	2,431,917	(5,626,989)	3,683,694	28,465,110

*Regulatory reserve represents the surplus of provision for credit losses computed in accordance with Bank of Tanzania regulations over the impairment loss on loans and advances computed in accordance with International Financial Reporting Standards.

The notes set out on pages 63 to 151 form an integral part of these financial statements.

Auditor's report is on pages 53 to 57

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2021

	Notes	2021 TZS 000	2020 TZS 000
Cash flows from operating activities			
Loss before taxation		(5,479,466)	(8,446,157)
Adjustments for:			
Depreciation and amortization	13	2,319,432	2,674,350
Impairment of loans and advances	17	3,204,690	4,955,485
Gain on disposal of property and equipment		(21,573)	-
Exchange loss/(gain) on cash and cash equivalent		277,456	(40,323)
Interest expense on lease liability	25	1,556,691	1,703,720
Interest income		(25,426,528)	(24,890,266)
		(23,569,298)	(24,043,191)
Changes in:			
Statutory Minimum Reserve		(123,640)	720,911
Loans and advances to customers		(2,483,391)	4,720,268
Government Securities		(18,305,304)	2,679,730
Other assets		(577,837)	(1,912,535)
Deposit from customers		2,604,102	9,874,441
Balances from other banks		5,277,848	(11,395,866)
Other liabilities		(323,219)	351,415
Cash flows used in operations		(37,500,739)	(19,004,827)
Interest received		24,699,921	24,133,886
Interest paid on lease liability		(1,556,691)	(1,703,720)
Tax Paid	14 (c)	-	(1,877,454)
Net cash flows (used in)/generated from operations		(14,357,509)	1,547,885
Cash flows from investing activities			
Purchase of property and equipment	20	(365,128)	(132,808)
Proceeds from sale of property and equipment		21,572	-
Investment in equity shares	19	-	(19,000)
Net cash used in investing activities		(343,556)	(151,808)
Cash flows from financing activities			
Advance towards share capital	28	-	16,992,072
Lease payments – principal portion	25	(885,181)	(793,541)
Net cash used in financing activities		(885,181)	(16,198,531)
Net (decrease)/increase in cash and cash equivalents		(15,586,246)	17,594,608
Cash and cash equivalent at the beginning of the year		36,259,167	18,624,236
Effect of exchange rate fluctuations on cash and cash equivalent		(277,456)	40,323
Cash and cash equivalent at the end of the year	27	20,395,465	36,259,167

The notes set out on pages 63 to 151 form an integral part of these financial statements.
Auditor's report is on pages 53 to 57

NOTES TO THE FINANCIAL STATEMENTS

for the YEAR ENDED 31ST December 2021

1. REPORTING ENTITY

Akiba Commercial Bank Plc ("The Bank") is a limited company incorporated in Tanzania under the Companies Act 2002 and is domiciled in Tanzania. The address of its registered office and principal place of business is;

3rd Floor, Amani Place
Ohio Street
PO Box 669
Dar es Salaam, Tanzania

The Bank provides micro finance, retail, and corporate banking services.

The financial statements of Akiba Commercial Bank Plc for the year ended 31 December 2021 have been approved for issue by the board of Directors on 28 March 2022. Neither the entity owners nor others have the power to amend the financial statements after issue.

2. BASIS OF ACCOUNTING

a) Statement of compliance

The Bank's financial statements for the year 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006. Additional information required by the regulatory bodies is included where appropriate.

b) Basis of measurement

These financial statements have been prepared under the historical cost basis of accounting except for the financial assets classified as Fair Value through Profit or Loss (FVTPL) and Fair Value through Other Comprehensive Income (FVOCI).

c) Functional and presentation currency

These financial statements are presented in Tanzania Shillings (TZS), which is also the Bank's functional currency. All financial information presented in TZS have been rounded to the nearest thousand except where otherwise stated.

d) Use of estimates and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 4.

The classification of financial assets includes the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. See Note 3 (f) (ii).

The impairment of financial instruments includes the assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses (ECL). See Note 3 (f) (iii) and 5.1.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:
The comparative information has been reclassified to align with presentation in the current year where applicable.

a) Adoption of New and Revised Accounting Standards

During the current year, the Bank has adopted all the new and revised standards and interpretations issued by the IASB and the IFRS-IC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2021. For details of the new and revised accounting standards and/or policies refer to note 35.

c) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of the bank at the exchange rates at the date of the transactions. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

d) Revenue recognition

Revenue is derived substantially from banking business and related activities and comprises net interest income and fee and commission income.

Gains and losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss, as well as any interest receivable or payable, are included in profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of FVOCI financial assets, other than foreign exchange gains or losses from monetary items, are recognised directly in other comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

i. Net interest income

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

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

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses.

For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

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

The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves. For information on when financial assets are credit-impaired, see Note 3(f) (iii).

Presentation

Interest income and expense presented in the statement of profit or loss and OCI include:

- interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.
- interest on debt instruments measured at FVOCI calculated on an effective interest basis.
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Interest income and expense on all trading assets and liabilities are incidental to the bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income. Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

ii. Net fee and commission income

Fee and commission income and expenses that are integral to the effective interest rate of a financial asset or liability are included in the measurement of the effective interest rate. Other fee and commission income – including account servicing fees and sales commissions – is recognized as the related services are performed. The Bank provides services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers in on an annual basis.

Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognized on a straight-line basis over the commitment period. A contract with a customer that results in a recognized financial instrument in the bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

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

iii. Net trading income and net income on financial assets at fair value through profit or loss

'Net trading income and net income on financial assets at fair value through profit or loss' comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends, and foreign exchange differences.

c) Other operating income

Other operating income comprises gains less losses related to trading assets and liabilities and includes all realized and unrealized fair value changes, interest, and foreign exchange differences. It also includes gain on disposal of property and equipment.

d) Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

This policy is applied to contracts entered (or changed) on or after 1 January 2019.

i) Bank acting as a lessee
At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component based on its relative standalone price. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
  amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

From 1 January 2021, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Bank remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The Bank presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(e) Income tax expense

Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

i) Current tax

Current tax is the expected tax payable or receivable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

ii) Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for:

- temporary differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination, and which affects neither accounting nor taxable profit temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

- taxable temporary differences arising on the initial recognition of goodwill

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

(f) Financial assets and financial liabilities

i) Recognition and initial measurements

The bank initially recognizes loans and advances, deposits, and debt securities on the date at which they are originated. All other financial assets and liabilities (including assets designated at fair value through profit or loss) are initially recognized on the trade date on which the bank becomes a party to the contractual provision of the instrument.

A financial asset or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue. After initial recognition, financial liabilities (deposits and debt securities) are measured at their amortized cost using the effective interest method.

ii) Classification

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

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

On initial recognition of an equity investment that is not held for trading, the bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the bank's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI Test)

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

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

- contingent events that would change the amount and timing of cash flows.
- leverage features.
- prepayment and extension terms.
- terms that limit the bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates

The bank holds a portfolio of long-term fixed rate loans for which the bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty.

The bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Debt instruments measured at amortized cost

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost. Interest income on these instruments is recognized in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated by considering any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. After initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI), unless the instrument is designated in a fair value hedge relationship. When designated in a fair value hedge relationship, any changes in fair value due to changes in the hedged risk are recognized in Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income. Upon de-recognition, realized gains and losses are reclassified from OCI and recorded in Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income on an average cost basis. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the Statement of Profit or Loss and Other Comprehensive Income.

Premiums, discounts, and related transaction costs are amortized over the expected life of the instrument to Interest income in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest rate method.

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss approach. The ACL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Statement of Financial Position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI with a corresponding charge to Provision for credit losses in the Statement of Profit or Loss and Other Comprehensive Income.

The accumulated allowance recognized in OCI is recycled to the Statement of Profit or Loss and Other Comprehensive Income upon de-recognition of the debt instrument

Debt instruments measured at FVTPL

Debt instruments are measured at FVTPL if assets:

a) Are held for trading purposes.
b) Are held as part of a portfolio managed on a fair value basis; or
c) Whose cash flows do not represent payments that are solely payments of principal and interest.

These instruments are measured at fair value in the Statement of Financial Position, with transaction costs recognized immediately in the Statement of Profit or Loss and Other Comprehensive Income as part of Non-interest income. Realized and unrealized gains and losses are recognized as part of Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Debt instruments designated at FVTPL

Financial assets classified in this category are those that have been designated by the Bank upon initial recognition, and once designated, the designation is irrevocable. The FVTPL designation is available only for those financial assets for which a reliable estimate of fair value can be obtained.

Financial assets are designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Financial assets designated at FVTPL are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognized in Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Equity instruments

The bank has elected at initial recognition to irrevocably designate an equity investment, held for purposes other than trading, at FVOCI. The fair value changes, including any associated foreign exchange gains or losses, are recognized in OCI, and are not subsequently reclassified in the Statement of Profit or Loss and Other Comprehensive Income, including upon disposal. Realized gains and losses are transferred directly to retained earnings upon disposal.

Consequently, there is no review required for impairment. Dividends will normally be recognized in the Statement of Profit or Loss and Other Comprehensive Income.

Reclassifications

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

Financial liabilities

The bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized.

iii) Impairment

The bank recognizes loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments (amortized cost and FVOCI) including loans and advances.
- lease receivables (rental income collected from Investment properties).
- financial guarantee contracts issued; and
  loan commitments issued.

No impairment loss is recognized on equity investments.

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

- debt investment securities that are determined to have low credit risk at the reporting date i.e. balances held with central banks, domestic government bills and bonds, and loans and advances to banks; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition i.e. stage 1 (see Note 5.1).

The bank considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

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

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

Significant Increase in Credit Risk

The bank's criteria for assessing significant increase in credit risk are defined at the appropriate product or portfolio level and vary based on the exposure's credit risk at origination. These are largely determined by the Prudential Guidelines Classification. The criteria include relative changes in PD and delinquency backstop when contractual payments are more than 30 days past due. Credit risk has increased significantly since initial recognition when one of the criteria is met.

Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date (stage 1 and 2): as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the bank expects to receive);

- financial assets that are credit-impaired at the reporting date (stage 3): as the difference between the gross carrying amount and the present value of estimated future cash flows.

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

- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the bank expects to recover. See also Note 5.1.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized (see note 3(f)(iv)) and ECL are measured as follows.

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

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

Credit-impaired financial assets

At each reporting date, the bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired (referred to as stage 3 financial assets). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:

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

A loan that is overdue for 90 days or more is considered impaired. In addition, a loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Government securities

In assessing whether an investment in sovereign debt (Government Bills and bonds, Balances due from central banks) is credit-impaired, the Bank considers the following factors.

- The country's ability to access own local capital markets for new debt issuance.
- The respective government ability to maintain sovereignty on its currency
- The intentions and capacity, reflected in public statements, of governments and agencies honor these commitments.

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.
- loan commitments and financial guarantee contracts: generally, as a provision; (See note 29)

- where a financial instrument includes both a drawn and an undrawn component, and the bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-off

Financial assets at both amortised and FVOCI are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities to comply with the bank's procedures for recovery of amounts due.

Any write-offs mandated by the laws and regulations are assessed by management for compliance with IFRS.

iv) De-recognition

Financial assets

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

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

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

The bank enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the de-recognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The bank securitises various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitisation vehicles and in the bank transferring substantially all the risks and rewards of ownership. The securitisation vehicles in turn issue securities to investors. Interests in the securitised financial assets are generally retained in the form of senior or subordinated tranches, interest-only strips, or other residual interests (retained interests). Retained interests are recognised as investment securities and carried at FVOCI. Gains or losses on securitisation are recorded in other revenue.

Financial liabilities

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

v) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

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

- other fees are included in profit or loss as part of the gain or loss on de-recognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the de-recognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in de-recognition of the financial asset, then the bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

vi) Offsetting of financial assets and financial liabilities

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

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

g. Fair value measurement

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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

Portfolio of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of net exposure to either market or credit risk are measure on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities based on the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

h) Cash and Cash equivalents

Cash and cash equivalents cash on hand, balances with other banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand. These are carried in the Statement of Financial Position at face value.

For purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 3 months' maturity from the date of acquisition including: cash and balances with Bank of Tanzania, Government securities, and deposits and balances due from Banking institutions excluding the Statutory Reserve requirement held with the Bank of Tanzania.

i) Property and equipment

Property and equipment are initially recorded at historical cost and subsequently stated at historical cost or valuation less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life as follows:

Description of assets	Rate (%)
Leasehold improvement	10
Motor vehicles	25
Furniture, fittings, and equipment	20
Computer equipment and software	20
Right of use asset	10

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

The asset's residual values, useful lives and methods are reviewed at each financial year end, and adjusted prospectively, if appropriate.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. (Refer to accounting policy on impairments of non-financial assets).

j) Intangible assets

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

- it is technically feasible to complete the software product so that it will be available for use.
- management intends to complete the software product and use or sell it.
- there is an ability to use or sell the software product.
- it can be demonstrated how the software product will generate probable future economic benefit.

- adequate technical, financial, and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product including the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

Acquired computer software licences are capitalised based on the costs incurred to acquire and bring to use the specific software. These costs are amortised based on the expected useful lives. Software has a maximum expected useful life of 5 years.

k) Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices and other available fair value indicators. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.
An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next period. 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.

l) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

m) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.
Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Bank in respect of services provided by employees up to the reporting date.

n) Share Capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity. Incremental costs directly attributable to the issue of new shares or options to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Paragraph 125 of IAS 1 requires disclosure about the assumptions that a the Bank makes about the future and other sources of estimation uncertainty at the reporting date that have a significant risk of resulting in a material adjustment within the next financial year.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies.

a) Measurement of the expected credit loss allowance

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

- Determination criteria for significant increase in credit risk.
- Establishing the various macroeconomic variables as well as weightings applied to the forward-looking scenarios for each segment and therefore the associated impact on ECL
- Overlays applied in response to the impact of Covid-19 to the Bank portfolio in respect of macro-economic variables for affected clients in specific sectors.
- Choosing appropriate models and assumptions for the determination of probabilities of default (PD); exposures at default (EAD) and loss given default (LGD); and ultimately measurement of Expected Credit Loss (ECL).

Detailed information about the judgement and estimates made by the Bank are explained under note 5.

(b) Property and equipment

Critical estimates are made by the directors in determining depreciation rates for equipment and their residual values. The rates used are set out in the accounting policies section of these financial statements under Note 3(i). There is no significant risk of these estimates changing in the next 12 months that may lead to a material change in the carrying value of property and equipment and intangible assets.

(c) Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. See note 3(e) (ii).

5. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance, and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are inevitable consequences of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

Risk management is carried out by the Risk and Compliance department under policies approved by the Board of Directors.

The Board provides written principles for overall risk management, as well as written policies covering specific areas. In addition, the Internal Audit department is responsible for the independent review of risk management and the control environment. The most significant risks are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk and interest risk.

5.1. Credit Risk

5.1.1 Credit risk measurement

The Bank takes on exposure to credit risk, which is the risk that the counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; Directors therefore carefully manage its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

The credit risk management and controls are centralised in Commerce, Risk and Compliance departments of the Bank and reported to the Board of Directors and Heads of Departments regularly.

Loans and advances

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is like the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. The Loan book is split into Term Loans (Secured & unsecured) and overdraft and off- balance sheet items (these include undrawn overdraft limits, Letters of Credit and Guarantees).

The Bank considers a term loan to be in default if the repayments on the loan are more than 90 days past due for all product types, further considering a revolving facility in default if the facility is drawn above the loan limit for more than 90 consecutive days during the lifetime of the facility or if the drawn amount is still outstanding 90 days after maturity of the facility.

The Bank estimates the Loss Given Default for both term loan (secured and unsecured) based on recoveries on loans that defaulted and were written off and collections from loans that defaulted but were not written off while for off balance sheet items the probability of default and loss given default component for revolving facilities has been combined to determine a loss rate.

Exposure at Default for term loans is estimated as contractual rundown on the loans and for the off-balance sheet items the exposure at default is estimated by determining a credit conversion factor (CCF).

For regulatory purposes and for internal monitoring of the quality of the loan portfolio, all customers are segmented into five rating classes as shown below:

Bank's internal ratings scale			% used for
	Description of the grade	Ageing	Regulatory provisioning
1.	Current	0 - 30 days	NIL
2.	Especially mentioned	31 - 90 days	3%
3.	Sub-standard	91 - 180 days	20%
4.	Doubtful	181 – 360 days	50%
5.	Loss	360 days and above	100%

5.1.2: Expected credit loss measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. Refer to note 5.1.2.1 for a description of how the Bank determines when a significant increase in credit risk has occurred. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 5.1.2.2 for a description of how the Bank defines credit-impaired and default.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 5.1.2.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 5.1.2.4 includes an explanation of how the Bank has incorporated this in its ECL models.

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

5.1.2.1 Significant increase in credit risk (SICR)

The bank measures significant increase in credit risk using quantitative, qualitative or backstop criteria. If one or more of the following criteria are met the bank considers that a financial instrument to have experience a significant increase in credit risk.

Quantitative criteria:

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 its contractual payments.

Qualitative criteria

Loans and advances to customers

A loan facility is assessed to have significant increase in credit risk if the borrower meets one or more of the following criteria:

- Previous arrears within the last 12 months.
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates.
- Actual or expected forbearance or restructuring.
- 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.
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans; and
- Identified fraudulent activities in issuing the loan

The assessment of SICR incorporates forward-looking information and is performed on an annual basis at a portfolio level.

The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Loans and advances to banks

The following qualitative factors are considered as indicators of significant increase in credit risk

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

Government securities

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

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

Low credit risk exemption

Government securities such as treasury bills measured at amortised cost are classified as low credit risk financial instruments and impairment will be recorded only if there is evidence of expected default on Government securities. It is important to note that there is no history of default on the Tanzania Government securities.

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

Quantitative

The Bank considers a term loan to be in default if the repayments on the loan are more than 90 days past due for all product, further considering a revolving facility in default if the facility is drawn above the loan limit for more than 90 Consecutive days during the lifetime of the facility or if the drawn amount is still outstanding 90 days after maturity of the facility.

5.1.2.2: Definition of default and credit impaired assets

Qualitative

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.
- Fraudulent activities were conducted in issuance of the loan.
- It is becoming probable that the borrower will enter bankruptcy; and
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

Loans and advances to customers

The criteria above have been applied to all financial instruments held by the Bank 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 Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the segments expected loss calculations.

Loans and advances to banks

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

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

Government securities

For government securities below events are considered as default when they occur: -

- When repayments of interest and principal are not done on time as per contractual schedules to the extent of 30 days delay.
- When the government is downgraded to below "C" Status by International Rating Agency such as Moody's. S&P or Fitch; and
- When the government is declared default/bankrupt by responsible agencies like World Bank or IMF.

5.1.2.3: Measuring ECL – Explanation of inputs, assumptions, and estimation techniques

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

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

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

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

5.1.2.4: Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD and vary between secured and unsecured loans and off-balance sheet exposure. Expert judgment has also been applied in this process.

The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

In addition to the base economic scenario, management team also provides other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major segment type to ensure non-linearity are captured. The number of scenarios and their attributes are reassessed at each reporting date.

The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Bank measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

5.1.2: Expected credit loss measurement (continued)

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

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2021 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

	2021	2022	2023	2024	2025
Lending interest rate (%)					
Base	16.93%	16.86%	16.82%	16.87%	16.85%
Upside	17.86%	17.82%	17.87%	17.85%	17.85%
Downside	15.86%	15.82%	15.87%	15.85%	15.85%
Non-performing Loans					
Base	15.08%	14.65%	15.21%	14.98%	14.95%
Upside	26.72%	26.29%	26.85%	26.62%	26.59%
Downside	3.44%	3.01%	3.57%	3.34%	3.30%

The most significant period-end assumptions used for the ECL estimate as at 31 December 2020 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

	2020	2021	2022	2023	2024
Gross National Income					
Base	**11%**	**10%**	**9%**	**7%**	**6%**
Upside	**13%**	**12%**	**11%**	**9%**	**8%**
Downside	**9%**	**8%**	**7%**	**5%**	**4%**
Non-performing Loans ratio					
Base	17.6%	22.8%	26.0%	2.3%	28.5%
Upside	17.6%	16.3%	19.5%	21.8%	22.1%
Downside	17.6%	29.2%	32.5%	34.8%	34.9%

The weightings assigned to each economic scenario at 31 December 2021 and 31 December 2020 was 70%, 15% and 15% for "base", "upside" and "downside" respectively.

If the forward-looking information change by 15% expected loss allowance would have been as follows:

Performing loans: Stage 1 and 2

31 December 2020	**Expected loss allowance**	
Sensitivity Analysis	**Upward change**	**Downward change**
	TZS 000	**TZS 000**
Secured term loans	**1,250,528**	**924,304**
Unsecured term loans	**684,388**	**505,852**
Total expected loss allowance	**1,934,916**	**1,430,156**
31 December 2019		
Sensitivity Analysis		
Secured term loans	1,315,409	984,577
Unsecured term loans	1,038,080	743,395
Total expected loss allowance	2,353,489	1,727,972

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

5.1.3 Credit risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified, to individual counterparties and groups, and to industries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

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.

(a) Collateral

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

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

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

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.

(b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions - are collateralised 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 authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

5.1.4 Credit exposure

5.1.4.1 Maximum exposure to credit risk – Financial instruments subject to impairment

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

a) Unsecured Term Loans-Gross loans

	2021			
	Stage 1 12 - Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**
Current	**39,188,744**	**-**	**-**	**39,188,744**
Especially Mentioned	**-**	**1,281,029**	**-**	**1,281,029**
Doubtful	**-**	**-**	**2,024,325**	**2,024,325**
Sub Standard	**-**	**-**	**20,659**	**20,659**
Loss	**-**	**-**	**3,229,823**	**3,229,823**
Gross Carrying amount	**39,188,744**	**1,281,029**	**5,274,808**	**45,744,581**
Loss allowance	**(569,817)**	**(25,303)**	**(1,094,865)**	**(1,689,985)**
Carrying amount	**38,618,927**	**1,255,726**	**4,179,943**	**44,054,596**

	2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade	TZS '000	TZS '000	TZS '000	TZS '000
Current	38,942,856	810	-	38,943,666
Especially mentioned	28,208	1,912,949	-	1,941,157
Doubtful	-	-	1 187 910	1,187,910
Substandard	-	3,651	754 352	758,003
Loss	-	-	3 610 921	3,610,921
Gross Carrying amount	38,971,064	1,917,410	5,553,183	46,441,657
Loss allowance	(841,198)	(49,015)	(1,407,959)	(2,298,172)
Carrying amount	38,129,866	1,868,395	4,145,224	44,143,485

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

5.1.4 Credit exposure (continued)

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

b) Secured Term Loans- Gross loans

2021				
	Stage 1 12 - Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade	TZS'000	TZS'000	TZS'000	TZS'000
Current	28,635,026	-	-	28,635,026
Especially Mentioned	-	1,294,458	-	1,294,458
Doubtful	-	-	1,717,871	1,717,871
Sub Standard	-	-	-	-
Loss	-	-	6,198,572	6,198,572
Gross Carrying amount	28,635,026	1,294,458	7,916,443	37,845,926
Loss allowance	(1,027,654)	(59,762)	(3,333,854)	(4,421,270)
Carrying amount	27,607,372	1,234,696	4,582,589	33,424,656

2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade	TZS'000	TZS'000	TZS'000	TZS'000
Current	30,433,317	-	-	30,433,317
Especially Mentioned	-	2,418,530	-	2,418,530
Doubtful	-	-	802,435	802,435
Sub Standard	-	-	1,030,435	1,030,435
Loss	-	-	1,915,626	1,915,626
Gross Carrying amount	30,433,317	2,418,530	3,748,496	36,600,343
Loss allowance	(986,765)	(162,121)	(2,277,738	(3,426,624)
Carrying amount	29,446,552	2,256,409	1,470,758	33,173,719

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

5.1.4 Credit exposure (continued)

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

c) Overdraft- Gross loans

2021				
	Stage 1 **12 - Month ECL**	**Stage 2** **Lifetime ECL**	**Stage 3** **Lifetime ECL**	**Total**
Credit grade	TZS'000	TZS'000	TZS'000	TZS'000
Current	**332,374**	-	-	**332,374**
Doubtful	-	-	-	-
Sub Standard	-	-	-	-
Loss	-	-	-	-
Gross Carrying amount	**332,374**	-	-	**332,374**
Loss allowance	**(102,881)**	-	-	**(102,881)**
Carrying amount	**229,493**	-	-	**229,493**

2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade	TZS'000	TZS'000	TZS'000	TZS'000
Current	244,932	-	-	244,932
Doubtful	-	-	-	-
Sub Standard	-	-	-	-
Loss	-	-	1,343,492	1,343,492
Gross Carrying amount	244,932	-	1,343,492	1,588,424
Loss allowance	(59,575)	-	(1,142,614)	(1,202,189)
Carrying amount	185,357	-	200,878	386,235

5.1.5 Loss allowance

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

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;

- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period.

- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models.

- Impacts on the measurement of ECL due to changes made to models and assumptions.

- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis. Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and

- Financial assets de recognized during the period and write-offs of allowances related to assets that were written off during the period).

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

5.1.5.1. Changes in the loss allowance

(a) Unsecured term Loans

	Stage 1	Stage 2	Stage 3	Total
	12 - Month ECL	Lifetime ECL	Lifetime ECL	
	TZS'000	TZS'000	TZS'000	TZS'000
Loss allowance as at 1 January 2021	841,198	49,015	1,407,959	2,298,172
Transfers:				
Transfer from stage 1 to stage 2	(16,242)	16,242	-	-
Transfer from stage 1 to stage 3	(109,793)	-	109,793	-
Transfer from stage 2 to stage 1	6,110	(6,110)	-	-
Transfer from stage 2 to stage 3	-	(120,937)	120,937	-
Transfer from stage 3 to stage 1	(26,396)		26,396	-
Transfer from stage 3 to stage 2	-	13,786	(13,786)	-
Financial assets derecognised during the period other than write offs	(578,811)	(22,786)	(1,056,268)	(1,657,865)
New financial assets originated	453,750	96,093	2,905,977	3,455,820
Total net P&L release during the period	(271,382)	(23,712)	2,093,049	1,797,955
Other movements with no P&L impact				
Write-offs	-	-	(2,406,142)	(2,406,142)
Loss allowance as at 31 December 2021	569,817	25,303	1,094,866	1,689,985

(a) Unsecured term Loans

	Stage 1	Stage 2	Stage 3	Total
	12 - Month ECL	Lifetime ECL	Lifetime ECL	
	TZS'000	TZS'000	TZS'000	TZS'000
Loss allowance as at 1 January 2020	791,468	24,143	2,520,420	3,336,031
Transfers:				-
Transfer from stage 1 to stage 2	(129,993)	129,993	-	-
Transfer from stage 2 to stage 1	6,516	(6,516)	-	-
Transfer from stage 2 to stage 3		(16,561)	16,561	-
Transfer from stage 3 to stage 1	6,341	-	(6,341)	-
Transfer from stage 3 to stage 2	-	14 039	(14,039)	-
Financial assets derecognised during the period other than write offs	(14,397)	-	-	(14,397)
New financial assets originated	181,263	4,535	1,596,989	1,782,787
Total net P&L release during the period	49,730	24,872	1,693,788	1,768,390
Other movements with no P&L impact				
Write-offs	-	-	(2,806,249)	(2,806,249)
Loss allowance as at 31 December 2020	841,198	49,015	1,407,959	2,298,172

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

5.1.5 Loss allowance (continued)

5.1.5.1 Changes on the loss allowance (continued)

(b) Secured term loans

	Stage 1	Stage 2	Stage 3	Total
	12 - Month ECL	Lifetime ECL	Lifetime ECL	
	TZS'000	TZS'000	TZS'000	TZS'000
Loss allowance as at 1 January 2021	986,765	162,121	2,277,737	3,426,623
Transfers:				
Transfer from stage 1 to stage 2	(24,973)	24,973	-	-
Transfer from stage 1 to stage 3	(424,639)	-	424,639	-
Transfer from stage 2 to stage 1	4,654	(4,654)	-	-
Transfer from stage 2 to stage 3	-	(543,554)	543,554	-
Transfer from stage 3 to stage 2	-	(184,818)	184,818	-
Financial assets derecognised during the period other than write offs	(277,324)	(601,642)	(462,997)	(1,341,963)
New financial assets originated	763,171	1,207,337	2,036,852	4,007,360
Total net P&L release during the period	40,889	(102,358)	2,726,866	2,665,397
Other movements with no P&L impact				
Write-offs	-	-	(1,670,550)	(1,670,550)
Loss allowance as at 31 December 2021	1,027,654	59,763	3,334,053	4,421,270

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

5.1.5 Loss allowance (continued)

5.1.5.1 Changes on the loss allowance (continued)

(b) Secured term loans

	Stage 1	Stage 2	Stage 3	Total
	12 - Month ECL	Lifetime ECL	Lifetime ECL	
	TZS'000	TZS'000	TZS'000	TZS'000
Loss allowance as at 1 January 2020	649,363	74,104	3,124,611	3,848,078
Transfers:				
Transfer from stage 1 to stage 2	(156,080)	156,080	-	-
Transfer from stage 1 to stage 3	(531,527)	-	531,527	-
Transfer from stage 2 to stage 1	36,274	(36,274)	-	-
Transfer from stage 2 to stage 3	-	(69,888)	69,888	-
Transfer from stage 3 to stage 1	44,242	-	(44,242)	-
New financial assets originated	944,494	38,099	3,421,393	4,403,986
Total net P&L release during the period	337,403	88,017	3,978,566	4,403,986
Other movements with no P&L impact				
Write-offs	-	-	(4,825,440)	(4,825,440)
Loss allowance as at 31 December 2020	986,766	162,121	2,277,737	3,426,624

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

5.1.5 Loss allowance (continued)

5.1.5.1 Changes on the loss allowance (continued)

(c) Overdraft

	Stage 1	Stage 2	Stage 3	Total
	12 - Month ECL	Lifetime ECL	Lifetime ECL	
	TZS'000	TZS'000	TZS'000	TZS'000
Loss allowance as at 1 January 2021	**59,575**	**-**	**1,142,614**	**1,202,189**
Transfers:				**-**
New financial assets originated	**43,306**	**-**	**-**	**43,306**
Total net P&L charge during the period	**43,306**	**-**	**-**	**43,306**
Other movements with no P&L impact				
Write-offs	**-**	**-**	**(1,142,614)**	**(1,142,614)**
Loss allowance as at 31 December 2021	**102,881**			**102,881**
Loss allowance as at 1 January 2020	**83,626**	**-**	**4,085,159**	**4,168,785**
Transfers:				
Changes in model assumptions	-	-	(1,943,370)	(1,943,370)
New financial assets originated	47,556	-	1,142,614	1,190,170
Total net P&L charge during the period	47,556	-	(800,756)	(753,200)
Other movements with no P&L impact				
Write-offs	-	-	(64,772)	(64,772)
Loss allowance as at 31 December 2020	59,575	-	1,142,614	1,202,189

5.1.5.2 Changes on the gross carrying amount

The following tables explain changes in the gross carrying amount of the portfolio to help explain their significance to the changes in the loss allowance for the same portfolio:

(a) Unsecured term Loans-Gross Loans

	Stage 1	Stage 2	Stage 3	Total
	12 - Month ECL	Lifetime ECL	Lifetime ECL	
	TZS'000	TZS'000	TZS'000	TZS'000
Gross carrying amount as at 1 January 2021	38,971,064	1,917,410	5,553,183	46,441,657
Transfers:				
Transfer from stage 1 to stage 2	(771,356)	771,356	-	-
Transfer from stage 1 to stage 3	(649,938)	-	649,938	-
Transfer from stage 2 to stage 1	89,947	(89,947)	-	-
Transfer from stage 2 to stage 3	-	(37,112)	37,112	-
Transfer from stage 3 to stage 1	52,797	-	(52,797)	-
Transfer from stage 3 to stage 2	2,337	-	(2,337)	-
Financial assets derecognised during the period other than write offs	(31,146,824)	(1,963,755)	(3,163,820)	(36,274,399)
New financial assets originated	32,688,827	675,807	4,616,698	37,981,332
Write-offs	-	-	(2,406,141)	(2,406,141)
Gross carrying amount as at 31 December 2021	39,236,854	1,273,759	5,231,836	45,742,449

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

5.1.5 Loss allowance (continued)

5.1.5.2 Changes on the gross carrying amount (continued)

(a) Unsecured term Loans-Gross Loans

	Stage 1	Stage 2	Stage 3	Total
	12 - Month ECL	Lifetime ECL	Lifetime ECL	
	TZS'000	TZS'000	TZS'000	TZS'000
Gross carrying amount as at 1 January 2020	43,577,100	1,497,938	4,006,297	49,081,335
Transfers:				-
Transfer from stage 1 to stage 2	(1,327,821)	1,327,821	-	-
Transfer from stage 1 to stage 3	(1,589,154)	-	1,589,154	-
Transfer from stage 2 to stage 1	265,827	(265,827)	-	-
Transfer from stage 3 to stage 1	263,476	-	(263,476)	-
Transfer from stage 3 to stage 2	-	174,575	(174 575)	-
Financial assets derecognised during the period other than write offs	(12,335,906)	(1,068,769)	2 794 413	(10,610,262)
New financial assets originated	10,117,542	251,672	223,747	10,592,961
Write-offs	-	-	(2,622,377)	(2,622,377)
Gross carrying amount as at 31 December 2020	38,971,064	1,917,410	5,553,183	46,441,657

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

5.1.5 Loss allowance (continued)

5.1.5.2 Changes on the gross carrying amount (continued)

(b) Secured term loans-Gross loans (continued)

	Stage 1	Stage 2	Stage 3	Total
	12 - Month ECL	Lifetime ECL	Lifetime ECL	
	TZS'000	TZS'000	TZS'000	TZS'000
Gross carrying amount as at 1 January 2021	30,433,317	2,418,530	3,748,495.00	36,600,342
Transfers:				
Transfer from stage 1 to stage 2	(226,961)	226,961	-	-
Transfer from stage 1 to stage 3	(160,086)	-	160,086	-
Transfer from stage 2 to stage 1	24,384	(24,384)	-	-
Transfer from stage 2 to stage 3	-	(219,279)	219,279	
Financial assets derecognised during th period other than write offs	(23,723,437)	(1,445,075)	(5,414,549)	(30,583,061)
New financial assets originated or purchased	22,360,765	264,749	10,873,690	33,499,204
Write-offs	-	-	(1,670,558)	(1,670,558)
Gross carrying amount as at 31 December 2021	28,707,981	1,221,502	7,916,443	37,845,927

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

5.1.5 Loss allowance (continued)

5.1.5.2 Changes on the gross carrying amount (continued)

(b) Secured term loans-Gross loans (continued)

	Stage 1	Stage 2	Stage 3	Total
	12 - Month ECL	Lifetime ECL	Lifetime ECL	
	TZS'000	TZS'000	TZS'000	TZS'000
Gross carrying amount as at 1 January 2020	33,693,463	3,074,029	4,535,534	41,303,026
Transfers:				-
Transfer from stage 1 to stage 2	(2,250,361)	2,250,361	-	-
Transfer from stage 1 to stage 3	(1,510,245)	-	1,510,245	-
Transfer from stage 2 to stage 1	995,854	(995,854)	-	-
Transfer from stage 2 to stage 3	-	(297,640)	297,640	-
Transfer from stage 3 to stage 1	1,345,161	-	(1,345,161)	-
Financial assets derecognised during the period other than write offs	(6,813,137)	(1,612,366)	(1 249 763)	(9,675,266)
New financial assets originated or purchased	4,972,581	-	-	4,972,581
Gross carrying amount as at 31 December 2020	30 433 317	2,686,406	3,480,619	36,600,341

5. FINANCIAL RISK MANAGEMENT (CONTINUED)
5.1. Credit Risk (continued)
5.1.5 Loss allowance (continued)
5.1.5.2 Changes on the gross carrying amount (continued)

(c) Overdraft

	Stage 1	Stage 2	Stage 3	Total
	12 - Month ECL	Lifetime ECL	Lifetime ECL	
	TZS'000	TZS'000	TZS'000	TZS'000
Gross carrying amount as at 31 December 2021	**244,932**	**-**	**1,343,493**	**1,588,425**
Transfers:				
New financial assets originated	**89,576**	**-**	**-**	**89,576**
Write-offs	**-**	**-**	**(1,343,493)**	**(1,343,493)**
Gross carrying amount as at 31 December 2021	**334,508**	**-**	**-**	**334,508**
Gross carrying amount as at 31 December 2020	425,994	-	3,139,275	3,565,269
Transfers:				
Financial assets derecognised during the period other than write offs	(181,062)	-	(3,139 275)	(3,320,337)
New financial assets originated	-	-	1,343,494	1,343,494
Write-offs	-	-	-	-
Gross carrying amount as at 31 December 2020	244,932	-	1,343,49	1,588,426

5.1.6 Amounts due from banks

Balances due from other banks are categorized as stage 1. The Loss Given Default (LGD) for these assets is zero hence no impairment was recognized as at 31 December 2021 (2020: Nil). The expected credit Loss is expected to be insignificant. No collateral is held by the Bank in respect to these balances.

5.1.7 Debt securities, treasury bills and other eligible bills

The Bank hold investments in Treasury Bills issued by the Government. At the end of reporting period, these investments were categorized as stage 1. There are no credit ratings for these investments. The Loss Given Default (LGD) for these assets is zero hence no impairment was recognized as at 31st December 2021 (2020: Nil).

5.1.8 Balances with bank of Tanzania and other assets

Other assets and balances with Bank of Tanzania are categorized as stage 1. The Bank has used simplified model for estimation of ECL. The impact has been determined to be insignificant.

5.1.9 Repossessed collateral

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

5.1.10 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by geographical region as of 31st December 2021. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

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

(a) Geographical sectors (continued)

	Tanzania	Europe	America	Others	Total
Credit risk exposures relating to on-balance sheet assets are as follows	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
31 December 2021					
Balances with the Bank of Tanzania	13,046,191	-	-	-	13,046,191
Placement and balances with other banks	134,744	104,557	-	373,749	613,050
Investment in Government securities					
- Amortised cost	40,664,445	-	-	-	40,664,445
Loans and advances to customers:	77,708,748	-	-	-	77,708,748
Unquoted equity investment	39,000	-	-	-	39,000
Other financial assets (Excluding Prepayments)	9,658,256	-	-	-	9,658,256
As at 31 December 2021	141,251,384	104,557	-	373,749	141,729,690
Credit risk exposures relating to off-balance sheet assets are as follows:					
Undrawn commitments	88,419	-	-	-	88,419
As at 31 December 2021	88,419	-	-	-	88,419

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for the YEAR ENDED 31ST December 2021

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

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

(a) Geographical sectors (continued)

	Tanzania	Europe	America	Others	Total
Credit risk exposures relating to on-balance sheet assets are as follows	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
31 December 2020					
Balances with the Bank of Tanzania	13,899,986	-	-	-	13,899,986
Placement and balances with other banks	17,134,492	185,943	-	-	17,320,437
Investment in Government securities					
- Amortised cost	22,359,141	-	-	-	22,359,141
Loans and advances to customers:	77,703,439	-	-	-	77,703,439
Unquoted equity investment	39,000	-	-	-	39,000
Other financial assets (Excluding Prepayments)	3,297,467	-	-	-	3,297,467
As at 31 December 2020	134,433,525	185943	-	-	134,619,470
Credit risk exposures relating to off-balance sheet assets are as follows:					
Undrawn commitments	102,328	-	-	-	102,328
As at 31 December 2020	102,328	-	-	-	102,328

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

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

(b) Industry sectors

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

31 December 2021	Financial institutions TZS '000	Manu-facturing TZS '000	Transport and communication TZS '000	Wholesale and retail TZS '000	Agriculture TZS '000	Individuals TZS '000	Others TZS '000	Total TZS '000
Balances with the Bank of Tanzania	13,046,191	-	-	-	-	-	-	13,046,191
Placement and balances with other banks	613,050	-	-	-	-	-	-	613,050
Investment in Government securities								
- Amortized cost	40,664,445	-	-	-	-	-	-	40,664,445
Loans and advances to customers:-	-	208,582	830,773	60,179,085	8,962	4,377,380	12,103,966	77,708,748
Unquoted equity investment	-	-	-	-	-	-	39,000	39,000
Other assets (excluding prepayments	-	-	-	-	-	-	9,658,256	9,658,256
As at 31 December 2021	54,323,686	208,582	830,773	60,179,085	8,862	4,377,380	21,801,222	141,729,690
Credit risk exposures relating to off-balance sheet assets are as follows:								
Undrawn commitments	-	88,419	-	-	-	-	-	88,419
As at 31 December 2021	-	88,419	-	-	-	-	-	88,419

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the YEAR ENDED 31ST December 2021

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

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

(a) Industry sectors (continued)

31 December 2020	Financial institutions TZS '000	Manu-facturing TZS '000	Transport and communication TZS '000	Wholesale and retail TZS '000	Agriculture TZS '000	Individuals TZS '000	Others TZS '000	Total TZS '000
Balances with the Bank of Tanzania	13,899,986	-	-	-	-	-	-	13,899,986
Placement and balances with other banks	17,320,437	-	-	-	-	-	-	17,320,437
Investment in Government securities								
- Amortized cost	22,359,141	-	-	-	-	-	-	22,359,141
Loans and advances to customers:	-	208,563	387,311	60,173,607	452,347	4,376,982	12,104,629	77,703,439
Unquoted equity investment	-	-	-	-	-	-	39,000	39,000
Other assets (excluding prepayments)	-	-	-	-	-	-	3,297,467	3,297,467
As at 31 December 2020	53,579,564	208,563	387,311	60,173,607	452,347	4,376,982	15,441,096	134,619,470
Undrawn commitments	-	-	102,328	-	-	-	-	102,328
As at 31 December 2020	-	-	102,328	-	-	-	-	102,328

5.2 Market risk

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

The market risks arising from trading and non-trading activities are concentrated in the Bank's treasury department and monitored regularly. Regular reports are submitted to the Banks Assets and Liability Committee (ALCO) and heads of department.

Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

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

1. Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. ALCO sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2020. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2. Market risk (continued)

5.2.1 Foreign exchange risk (continued)

Concentrations of currency risk - on - and off - balance sheet financial instruments:

As at 31 December 2021	USD	EURO	GBP	Others	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Assets					
Cash and balances with Bank of Tanzania	3,397,550	180,365	9,773	13,998	3,601,686
Placement and balances with other banks	373,749	104,557	-	-	478,306
Loans and advances to customers	-	-	-	-	-
Other assets (excluding prepayments)	-	-	-	-	-
Total financial assets	3,771,299	284,922	9,773	13,998	4,079,992
Liabilities					
Deposits from customers	3,453,235	34,649	1,450		3,489,334
Deposits from other banks		130,425			130,425
Lease liability	-	-	-	-	-
Other liabilities (excluding non-financial other liabilities)	-	-	-	-	-
Total financial liabilities	3,453,235	165,074	1,450	-	3,619,759
Net on-balance sheet financial position	318,064	119,848	8,323	13,998	460,233
Off balance sheet position					
Undrawn commitments	-	-	-	-	-
	-	-	-	-	-

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2. Market risk (continued)

5.2.1 Foreign exchange risk (continued)

Concentrations of currency risk - on - and off - balance sheet financial instruments:

As at 31 December 2020	USD	EURO	GBP	Others	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Assets					
Cash and balances with Bank of Tanzania	174,225	-	-	-	174,225
Placement and balances with other banks	16,992,072	185,944	-	-	17,178,016
Loans and advances to customers	-	-	-	-	-
Other assets (excluding prepayments)	-	-	-	-	-
Total financial assets	17,166,297	185,944	-	-	17,352,241
Liabilities					
Deposits from customers	2,881,849	35,892	1,388		2,919,129
Deposits from other banks	-	713,380	-	-	713,380
Lease liability	11,070,102	-	-	-	11,070,102
Other liabilities (excluding non-financial other liabilities)	-	-	-	-	-
Total financial liabilities	13,951,951	749,272	1,388		14,702,611
Net on-balance sheet financial position	3,214,346	(563,328)	(1,388)		2,649,630
Off balance sheet position					
Undrawn commitments	-	-	-	-	-
	-	-	-	-	-

Foreign exchange sensitivity analysis

The impact of fluctuation of Bank's post tax profit for the year resulting from foreign exchange movements, keeping all other variables held constant on translation of foreign currency dominated cash and balances with the Bank of Tanzania, placements and balances with other banks, loans and deposits from customers and other banks is analysed in the table below

	% change in exchange rate	2021	2020
		TZS'000	TZS'000
USD	1%	3,181	32,144
EURO	1%	1,199	(5,633)
GBP	1%	83	(14)

The effect of translation of placements and balances with other banks in Kenyan shillings is not considered to be significant.

5.2.2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase because of such changes but may reduce losses if unexpected movements arise. The 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 regularly by the Bank. The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2. Market risk (continued)

5.2.2 Interest rate risk (continued)

As at 31 December 2021	Up to1 month	1 - 3 months	3 - 12 months	1-5 years	Non-interest bearing	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Assets						
Cash and balances with Bank of Tanzania	-	-	-	-	23,642,810	23,642,810
Investment in Government securities						
- Amortised cost	-	-	25,456,840	15,207,605	-	40,664,445
Balances with other banks	613,050	-	-	-	-	613,050
Loans and advances to customers	4,559,300	3,957,782	30,798,782	38,392,884	-	77,708,748
Unquoted Equity Investments	-	-	-	-	39,000	39,000
Other assets (excluding prepayments)	-	-	-	-	9,658,256	9,658,256
Total financial assets	5,172,350	3,957,782	56,255,622	53,600,489	33,340,066	152,326,309
Liabilities						
Deposits from other banks	5,991,228	-	-	-	-	5,991,228
Lease liability	-	-	5,193,239	10,310,525	-	15,503,764
Deposits from customers	57,597,933	12,566,486	17,294,019	788,153	36,226,827	124,473,418
Other liabilities (excluding non-financial other liabilities)	-	-	-	-	2,252,437	2,252,437
Total financial liabilities	63,589,161	12,566,486	22,487,258	11,098,678	38,479,264	148,220,847
Total interest repricing gap	(58,416,811)	(8,608,704)	33,768,364	42,501,811	(5,139,198)	4,105,462

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2. Market risk (continued)

5.2.2 Interest rate risk (continued)

As at 31 December 2020	Up to1 month	1 - 3 months	3 - 12 months	1-5 years	Non-interest bearing	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Assets						
Cash and balances with Bank of Tanzania	-	-	-	-	22,890,194	22,890,194
Investment in Government securities						
- Amortised cost	-	-	22,359,141	-	-	22,359,141
Balances with other banks	17,320,437	-	-	-	-	17,320,437
Loans and advances to customers	1,129,800	2,813,564	35,744,043	38 016 032	-	77,703,439
Unquoted Equity Investments	-	-	-	-	39,000	39,000
Other assets (excluding prepayments)	-	-	-	-	3,297,467	3,297,467
Total financial assets	18,450,237	2,813,564	58,103,184	38,016,032	26,226,661	143,609,678
Liabilities						
Deposits from other banks	713,380	-	-	-	-	713,380
Lease liability	-	-	4,975,953	9,359,612	-	14,335,565
Deposits from customers	42,080,345	25,936,276	19,937,113	2,323,344	31,592,237	121,869,315
Other liabilities (excluding non-financial other liabilities)	-	-	-	-	2,410,300	2,410,300
Total financial liabilities	42,793,725	25,936,276	24,913,066	11,682,956	34,002,537	139,328,560
Total interest repricing gap	(24,343,488)	(23,122,712)	33,190,118	26,333,076	(7,775,876)	4,281,118

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2. Market risk (continued)

5.2.2 Interest rate risk (continued)

Interest rate risk sensitivity

The interest rate risk sensitivity of the net mismatch between interest bearing assets and liabilities up to 12 months is summarised below. This assumes a 1% adverse movement in interest rates over the period (amounts in TZS Thousand).

Sensitivity period	Interest-bearing assets	Interest-bearing liabilities	Net Impact
2021			
Less than 30 days			
1 year	1,000,626	1,057,834	(57,208)
2020			
Less than 30 days			
1 year	1,173,830	1,159,966	13,864

5.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

5.3.1 Liquidity risk management process

- The Bank's liquidity management process, as carried out within the Bank and monitored by the Bank's Asset and Liability Committee (ALCO), includes:
- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in money markets to enable this to happen.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities. Monitoring and reporting take the form of 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 (Notes 5.3.3).

2. Funding approach

Sources of liquidity are regularly reviewed by Bank's Asset and Liability Committee to maintain a wide diversification by currency, geography, provider, product, and term.

3. Non-derivative cash flows

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of reporting period. The amounts disclosed in the table below are the undiscounted cash flows of liabilities and assets held for managing liquidity risk.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Liquidity risk (continued)

3. Non-derivative cash flows (Continued)

As at 31 December 2020	Up to1 month	1 - 3 months	3 - 12 months	Over 1 years	Total
Liabilities	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Deposits from customers	93,824,760	12,566,486	17,294,019	788,152	124,473,417
Deposits from other Banks	5,991,228	-	-	-	5,991,228
Lease liability	-	-	2,441,872	20,033,477	22,475,349
Other liabilities (excluding non-financial liabilities)	2,252,437	-	-	-	2,252,437
Total liabilities	102,068,425	12,566,486	19,735,891	20,821,629	155,192,431
Assets held for managing liquidity	24,255,860	-	25,456,840	24,904,159	74,616,859
As at 31 December 2020					
Deposits from customers	42,080,345	25,936,276	19,874,926	33,977,768	121,869,315
Deposits from other Banks	713,380	-	-	-	713,380
Lease liability	-	-	2,441,872	22,475,349	24,917,221
Other liabilities (excluding non-financial liabilities)	-	-	2,417,300	-	2,417,300
Total liabilities	42,793,725	25,936,276	24,734,098	56,453,117	149,917,216
Assets held for managing liquidity	41,010,878	2,602,682	34,457,762	39,732,185	117,803,507

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Liquidity risk (continued)

5.3.4 Assets held for managing liquidity risk (Continued)

The Bank's assets held for managing liquidity risk comprise:

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

In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The Bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

5.4 Off-balance sheet items

(a) Undrawn commitments, outstanding letters of credit, guarantee and indemnities

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 29) are summarised in the table below.

(b) Financial guarantees and other financial facilities

Financial guarantees (Note 29) are also included below based on the earliest contractual maturity date.

	No later than 1 year TZS'000	1 - 5 years TZS'000	Total TZS'000
As at 31 December 2021"			
Undrawn commitments	88,419	-	88,419
Total	88,419	-	88,419
As at 31 December 2020			
Undrawn commitments	102,328	-	102,328
Total	102,328	-	102,328

5.5 Fair value of financial assets and liabilities

5.5.1 Fair value estimation

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

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

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

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

There were no transfers between the levels during the year.

ii) Fair value of financial assets and liabilities that are not measured at fair value

Cash and balances with Bank of Tanzania

The carrying amount of cash and balances with Bank of Tanzania is a reasonable approximation of fair value.

Investment in government securities

Investment in government securities includes treasury bonds and treasury bills. These are measured at amortized cost using effective interest rate method.

Loans and advances to banks

Loans and advances to banks include inter-bank placements and items during collection. These are measured at amortized cost using effective interest rate method.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Fair value of financial assets and liabilities (continued)

ii) Fair value of financial assets and liabilities that are not measured at fair value (continued)

Loans and advances to customers

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Deposits from banks and customers

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

The estimated fair value of fixed 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.

	Carrying amount		Fair value	
Financial assets	**2021**	2020	**2021**	2020
	TZS'000	TZS'000	**TZS'000**	TZS'000
Cash and balances with Bank of Tanzania	**23,642,810**	22,890,194	**23,642,810**	22,890,194
Government securities – (Treasury bills and bonds)	**40,664,445**	22,359,141	**40,664,445**	22,359,141
Placement and balances with other banks	**613,050**	17,320,437	**613,050**	17,320,437
Loans and advances to customers	**77,708,747**	77,703,439	**77,708,748**	77,703,439
Unquoted equity investment	**39,000**	39,000	**39,000**	39,000
Other assets (excluding prepayment)	**9,658,256**	3,297,467	**9,658,256**	3,297,467
	152,326,209	143,609,678	**152,326,209**	143,609,678

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Fair value of financial assets and liabilities (continued)

ii) Fair value of financial assets and liabilities that are not measured at fair value (continued)

	Carrying amount		Fair value	
	2021	2020	**2021**	2020
Financial liabilities	**TZS'000**	TZS'000	**TZS'000**	TZS'000
Deposits from customers	**124,473,417**	121,807,128	**124,473,417**	121,807,128
Deposits from banks	**5,991,228**	713,380	**5,991,228**	713,380
Other liabilities (Excluding non-financial other liabilities)	**2,252,437**	2,417,300	**2,252,437**	2,417,300
	132,717,082	124,937,808	**132,717,082**	124,937,808

There was no transfer of assets between the fair value hierarchy levels

5.6 Capital management

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

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

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

The Bank of Tanzania requires each bank or banking group to:

(a) Hold a minimum level of core capital of TZS 15 billion.
(b) Maintain a ratio of core capital to the risk-weighted assets plus risk-weighted off-balance sheet assets or above the required minimum of 12.5%; and
(c) Maintain total capital of not less than 14.5% of risk-weighted assets plus risk-weighted off-balance sheet items.
(d) Maintain a capital conservation buffer of 2.5% of risk-weighted assets and off-balance sheet exposures. The capital conservation buffer is be made up of items that qualify as tier 1 capital.

When a bank is holding capital conservation buffer of less than 2.5% of risk-weighted assets and off-balance sheet exposures but is meeting its minimum capital requirements that bank:

- Shall not be distribute dividends to shareholders or bonuses to senior management and other staff members until the buffer is restored to at least 2.5%.

- Shall submit a capital restoration plan to Bank of Tanzania within a period specified by BoT, indicating how the bank is going to raise capital to meet its minimum requirement including capital conservation buffer within a specified period; and

- If BoT does not approve the capital restoration plan, it may direct the bank to raise additional capital within a specified time to restore its capital conservation buffer.

The Bank's regulatory capital is divided into two tiers:

- Tier 1 capital: means permanent shareholders' equity in the form of issued and fully paid ordinary shares, and perpetual non-cumulative preference shares, capital grants and disclosed reserves less year to date losses, goodwill organization, pre-operating expenses, prepaid expenses and deferred charges.

- Tier 2 capital: means general provisions which are held against future, presently unidentified losses and are freely available to meet losses which subsequently materialize, subordinated debts, cumulative redeemable preferred stocks and any other form of capital as may be determined and announced from time to time by the Bank.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature 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.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.6 Capital management (continued)

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2021 and year ended 31 December 2020. During those two periods, the bank has complied with externally imposed capital requirements to which they are subject.

Tier 1 capital	Note	2021 TZS 000	2020 TZS 000
Share capital	28	**27,797,416**	10,984,416
Share premium	28	**2,431,917**	2,431,917
Retained earnings		**(12,100,902)**	(5,626,989)
Deferred tax	22	**(7,067,003)**	(7,067,003)
Prepaid expenses	23	**(953,128)**	(639,673)
Others (Advance towards share capital)		**5,888,000**	16,992,072
Total qualifying Tier 1 capital		**15,996,300**	17,074,740
Tier 2 capital			
Allowance supplementary capital		**2,370,244**	2,289,248
Total qualifying Tier 2 capital		**2,370,244**	2,289,248
Total regulatory capital (Tier 1 & Tier 2)		**18,366,544**	19,363,988
Risk-weighted assets			
On-balance sheet		**105,108,389**	101,719,479
Off-balance sheet		**56,416**	72,328
Operational Risk		**13,005,343**	16,696,985
Market Risk		**342,061**	78,724
Total risk-weighted assets, operational and market risk		**118,512,209**	118,567,516
		Bank's ratio 2021	Bank's ratio 2020
		%	%
Tier 1 capital (BOT minimum 12.5%)		**13.50%**	14.40%
Tier 1 + Tier 2 capital (BOT minimum 14.5%)		**15.50%**	16.33%

	2021 TZS '000	2020 TZS '000
6. INTEREST INCOME		
Interest on loans and advances to customers	23,949,974	23,647,075
Interest from Government securities- T. Bills	1,175,385	1,243,191
Interest from Government securities- T. Bonds	180,633	-
(a) Total interest income calculated using the effective interest	25,305,992	24,890,266
(b) Interest from placement with other banks	120,536	-
Total interest income	25,426,528	24,890,266
7. INTEREST EXPENSES		
Savings deposits	1,055,756	1,018,008
Time deposits	5,406,116	4,967,013
Lease liability	1,556,691	1,703,720
Other borrowings	73,135	114,826
	8,091,698	7,803,567
8. FFEES AND COMMISSION INCOME		
Commission income	957,387	852,866
ATM card	98,839	81,020
ATM fees	57,018	44,750
Loans commitment fees	1,346,499	742,675
Interest from early liquidated loan	57,648	20,043
Withdrawal charges	125,287	169,767
Ledger fees	878,886	1,147,265
Telegraphic transfer	63,444	60,740
Salary processing	39,972	42,309
Other fees	28,820	65,773
	3,653,800	3,227,208

	2021 TZS '000	2020 TZS '000
9. Foreign exchange income		
Foreign currency trading	**239,816**	286,005
	239,816	286,005
10. OTHER OPERATING INCOME		
Insurance Income	**607,900**	621,621
Profit on disposal of property and equipment	**21,573**	80
Other income	**6,268**	38,909
	635,741	660,610
11. EMPLOYEE BENEFIT EXPENSES		
Staff Salaries	**10,576,075**	9,738,083
Social Security Costs – defined contribution plan expense	**1,065,486**	913,994
Medical insurance	**1,002,828**	1,005,585
Leave allowance	**(12,018)**	(30,029)
Staff welfare	**296,611**	274,720
Staff incentives	**119,460**	125,091
Skill and development levy	**428,031**	421,375
Workers Compensation Fund	**82,214**	91,327
Field transport expenses	**249,789**	254,030
Newspapers and magazines	**3,509**	4,190
Other staff cost	**311,421**	258,482
	14,123,406	13,056,848

5. FINANCIAL RISK MANAGEMENT (CONTINUED)
5.6 Capital management (continued)

	2021 TZS '000	2020 TZS '000
12. GENERAL AND ADMINISTRATION EXPENSES		
Umoja Switch expenses	85,956	69,927
Advertising and marketing	493,871	239,151
Software license fees	1,056,926	809,556
Internet and other IT consumables	615,438	552,327
Technical assistance	315,246	1 250,252
Auditor's remuneration	206,444	180,098
Directors' fees	98,087	10,521
Directors expenses	100,300	140,838
Training	93,384	39,800
Travel and lodging	289,482	184,267
Maintenance equipment's	305,763	259,442
Akiba Mobile expenses	301,573	346,521
Fuel motor vehicle & generator	389,424	360,563
Telephones	105,969	91,533
Stationery expense	259,433	243,432
Insurance	448,462	402,934
Subscription & professional fees	319,755	425,177
Legal expense	647,662	767,755
Security	936,481	936,267
Electricity	341,299	347,565
Premises expenses	762,373	717,135
Postage and courier expense	29,303	31,163
Auctioneers Expenses	282,530	308,143
Bank charges	26,812	130,714
Agent Bank deposit commission	10,519	-
Miscellaneous expenses	(20,653)	(38,403)
Alternative minimum tax	149,779	145,320
	8,651,618	8,951,998
13. DEPRECIATION AND AMORTISATION		
Depreciation-Property and equipment (Note 20)	**2,161,903**	2,512,260
Amortization-Intangible assets (Note 21)	**157,529**	162,090
	2,319,432	2,674,350

	2021 TZS '000	2020 TZS '000
14. INCOME TAX		
(a) Tax		
for the year is arrived at as follows:		
Current income tax -prior year	-	1,231,518
Deferred income tax - current year charge	-	240,204
	-	1,471,722
(b) Reconciliation of tax expense to the expected tax based on accounting profit.		
Accounting loss before tax	(5,479,464)	(8,446,156)
Tax calculated at the statutory income tax rate of 30%	(1,643,839)	(2,490,251)
Tax effect of:		
Expenditure permanently disallowed	162,921	318,431
Unrecognised deferred tax	4,021,381	3,890,491
Prior years corporate tax	-	1,231,518
Prior year deferred tax (over)/under-provision	(2,540,462)	(1,478,700)
Others	-	233
Income tax expense	-	1,471,722
(c) Current income tax asset		
At 1 January	(2,613,540)	(1,967,603)
Previous years tax	-	1,231,518
Payment made during year	-	(1,877,455)
	(2,613,540)	(2,613,540)

	2021 TZS '000	2020 TZS '000
15. CASH AND BALANCES WITH THE BOT		
Cash in Hand	10,596,619	8,990,208
Balances with Bank of Tanzania		
Clearing account - local currency	4,749,621	6,805,995
Clearing account - foreign currency	1,253,164	174,225
Statutory minimum reserve	7,043,406	6,919,766
	23,642,810	22,890,194

The interest rate risk sensitivity of the net mismatch between interest bearing assets and liabilities up to 12 months is summarised below. This assumes a 1% adverse movement in interest rates over the period (amounts in TZS Thousand).

	Dec, **2021** **TZS '000**	Dec, 2020 TZS '000
16. BALANCES WITH OTHER BANKS		
Maturing within 90 days		
Balances with banks abroad	**478,305**	185,944
Cheques and items in the course of clearing	**134,438**	142,073
Balance with other banks	**307**	16,992,420
	613,050	17,320,437
17. LOANS AND ADVANCES TO CUSTOMERS		
Loans and advances to customers	**79,847,930**	79,947,062
Staff loans	**4,074,953**	4,683,362
Gross loans and advances	**83,922,883**	84,630,424
Less: allowance for impairment	**(6,214,136)**	(6,926,985)
	77,708,747	77,703,439

	2021 TZS '000	2020 TZS '000
Gross loans and advances to customers by class are as follows:		
Micro and Small Enterprises (MSEs)	**53,972,816**	57,378,693
Consumer loans	**980,075**	642,410
Term loans	**28,635,485**	25,019,046
Overdrafts	**334,507**	1,590,275
	83,922,883	84,630,424
Analysis of loans and advances to customers by maturity		
Maturing:		
Within 1 year	**45,528,234**	44,868,972
Between 1 year and 5 years	**38,394,649**	39,761,452
	83,922,883	84,630,424
Movement of loans and advances impairment allowance		
Balance at 1 January	**6,926,985**	9,204,270
Impairment losses for the year	**3,204,690**	4,955,485
Loans and advances written off during the year	**(3,917,539)**	(7,232,770)
	6,214,136	6,926,985
Impairment charge to profit or loss is broken as follows		
Impairment charge for credit loss	**3,204,690**	4,955,485
Amount recovered	**(955,493)**	(550,288)
	2,249,197	4,405,197

	2021 TZS '000	2020 TZS '000
18 (a) GOVERNMENT SECURITIES		
Treasury Bills		
Maturing after 91 days	**25,456,840**	22,359,141
Treasury bills are debt securities issue by the Government of the United Republic of Tanzania and are classified as held to maturity.		
(b) TREASURY BONDS		
Treasury Bonds	**14,492,787**	-
Accrued Bond Discount and Premium	**(2,562)**	-
Accrued Coupon Interest	**717,380**	-
	15,207,605	-
Total	**40,664,445**	22,359,141
19 UNQUOTED EQUITY INVESTMENT		
Investment in shares	39,000	39,000
	39,000	39,000

Investment in shares represent 20 ordinary shares in UmojaSwitch Company Limited. The Investment represent 9.1% of the Company's total issued and paid up ordinary share capital. The shares are accounted for at cost.

Umoja Switch Company Limited is a jointly controlled operation whereby 11 banks have pulled together resources to invest in a nationwide ATM network. Each bank has equal voting right in respect of decision making except one Bank that has no shareholding ownership.

20. PROPERTY AND EQUIPMENT

	Motor Vehicles	Fixtures, fittings and equipment	Leasehold improvements	Sub-total	Right of use asset**	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Cost						
At 1 January 2021	1,141,610	9,812,274	6,429,054	17,382,938	16,675,860	34,058,798
Additions	-	365,128	-	365,128	-	365,128
Disposals	(101,717)	(7,829)		(109,546)	-	(109,546)
Re-measurement	-	-	-	-	2,059,684	2,059,684
At 31 December 2021	1,039,893	10,169,573	6,429,054	17,638,520	18,735,544	36,374,064
Depreciation						
At 1 January 2021	1,126,255	9,173,831	5,546,392	15,846,478	3,398,845	19,245,323
Charge for the year	15,355	395,788	259,784	670,927	1,490,975	2,161,903
Disposals	(101,717)	(7,829)	-	(109,546)	-	(109,546)
At 31 December 2021	1,039,893	9,561,790	5,806,176	16,407,859	4,889,820	21,297,679
Cost						
At 1 January 2020	1,141,610	9,679,466	6,429,054	17,250,130	21,859,425	39,109,555
Additions	-	132,808	-	132,808	-	132,808
Asset written off/re-measurement	-	-	-	-	(5,183,565)	(5,183,565)
At 31 December 2020	1,141,610	9,812,274	6,429,054	17,382,938	16,675,860	34,058,798
Depreciation						
At 1 January 2020	1,049,238	8,572,382	5,177,663	14,799,283	1,933,780	16,733,063
Charge for the year	77,017	601,449	368,729	1,047,195	1,465,065	2,512,260
At 31 December 2020	1,126,255	9,173,831	5,546,392	15,846,478	3,398,845	19,245,323
NET BOOK VALUE						
As at 31 December 2021	-	607,782	622,878	1,230,661	13,845,724	15,076,385
As at 31 December 2020	15,355	638,443	882,662	1,536,460	13,277,015	14,813,475

** Right of use assets comprises of leased branch premises and head office

	2021 TZS '000	2020 TZS '000
21. INTANGIBLE ASSETS - COMPUTER SOFTWARE		
Cost		
At start and end of the of year	**3,912,384**	3,912,384
Amortisation		
At start of year	**3,182,192**	3,020,102
Current year charge	**157,529**	162,090
At end of year	3,339,721	182,192
NET BOOK VALUE	**572,663**	**730,192**

22. DEFERRED INCOME TAX

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30%. The movement on the deferred income tax account is as follows:

	2021 TZS '000	2020 TZS '000
At start of year	7,067,003	7,307,207
Prior years (charge)/credit to profit or loss	2,540,461	1,478,700
Current year (charge)/credit to profit or loss	1,480,920	2,171,587
Total deferred tax asset	**11,088,384**	**10,957,494**
Unrecognised deferred tax asset	(4,021,381)	(3,890,491)
At the end of year	**7,067,003**	**7,067,003**

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30%. The movement on the deferred income tax account is as follows:

	1-January	Prior years overprovision	(Debit)/ Credit to profit or loss	31-December
	TZS'000	TZS'000	TZS'000	TZS'000
2021				
Tax losses	8,154,022	(1,237,538)	1,693,961	8,610,445
Property and equipment	(3,251,729)	3,777,999	(63,908)	462,362
Other timing differences	2,164,710	-	(149,133)	2,015,577
	7,067,003	2,540,461	1,480,920	11,088,384
2020				
Tax losses	3,551,281	1,265,589	3,337,151	8,154,022
Property and equipment	481,491	213,112	36,557	731,160
Other timing differences	3,274,435	-	(1,202,122)	2,072,313
	7,307,207	1,478,701	2,171,586	10,957,494

23 OTHER ASSETS

	2021 TZS '000	2020 TZS '000
Other receivables	483,535	190,995
Less: Provision for losses	(73,158)	(73,158)
Net other receivables	410,377	117,837
Float Balance	2,772,885	3,179,630
Agent Bank Deposit balance	586,994	-
Prepayments	953,127	639,673
Other asset (capital received)	5,888,000	-
	10,611,383	3,937,140

24. DEPOSITS FROM CUSTOMERS

	2021 TZS '000	2020 TZS '000
Current accounts	**17,127,858**	14,707,940
Biashara accounts	**18,498,147**	16,884,297
Savings accounts	**46,696,075**	41,794,927
Time deposit accounts	**41,550,515**	48,196,733
Special deposits	**600,822**	285,418
	124,473,417	121,869,315
Maturity Analysis:		
Payable within three months	**106,391,246**	99,608,858
Payable within three to twelve months	**17,294,019**	19,937,113
Payable over one year	**788,152**	2,323,344
	124,473,417	121,869,315

25. LEASE LIABILITY

	2021 TZS '000	2020 TZS '000
At start of the year	**14,335,565**	20,312,671
Finance Cost	**1,556,691**	1,703,720
Payment -Principal	**(885,181)**	(793,541)
-Interest	**(1,556,691)**	(1,703,720)
Re-Measurement*	**2,053,381**	(5,183,565)
	15,503,765	14,335,565

* Re-measurement of lease liability/asset was due to changes of lease prices during the year

25. LEASE LIABILITY (CONTINUED)

The following amounts have been recognised in the statement of comprehensive income in respect of leases in which we are the lessee:

	2021 TZS '000	2020 TZS '000
Depreciation charge rights of use asset	**1,490,975**	1,465,065
Interest expense on lease liabilities	**1,556,691**	1,703,720
The following amounts have been presented on the cash flow statement		
Lease payment – Principal portion	**(885,181)**	(793,541)
Lease interest payment	**(1,556,691)**	(1,703,720)

Extensions options

Some leases of office premises contain extension options exercisable by the Bank up to one term after the end of the non-cancellable contract period. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility.

The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

26. OTHER LIABILITIES

	2021 TZS '000	2020 TZS '000
Statutory deductions	**403,388**	229,594
Withholding Tax, AMT and VAT Payable	**1,110,446**	1,443,297
Deferred facility fees	**756,124**	714,142
Accrued leave	**198,190**	215,556
Other accrued expenses	**549,863**	187,314
Trade creditors	**316,780**	388,682
Auditor's fees payable	**118,767**	177,196
Directors fees payable	**89,622**	126,759
Dividend payable	**24,627**	41,772
Mobile service payable	**17,341**	14,020
Loan insurance premium	**35,284**	(21,074)
Customer clearance payable	**44,231**	448,759
Bills and accounts payable	**102,309**	124,174
	3,766,272	3,944,872

27. CASH AND CASH EQUIVALENTS

	2021	2020
Cash and balances with Bank of Tanzania (Note 15)	23,642,810	22,890,194
Less SMR (Note 15)	(7,043,406)	(6,919,766)
Float balance	2,596,017	2,968,302
Agent Bank Deposit balance (Note 23)	586,994	-
Loans and advances to banks (Note 16)	613,050	17,320,437
	20,395,465	36,259,167

For purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 3 months' maturity from the date of acquisition including: cash and balances with Bank of Tanzania, Government securities, and deposits and balances due from Banking instructions. Cash and cash equivalents exclude the Statutory Reserve requirement held with the Bank of Tanzania.

28. SHARE CAPITAL AND RESERVES

	2021 TZS '000	2020 TZS '000
Authorised		
100,000,000 ordinary shares of TZS 1,000 each	**100,000,000**	100,000,000
(a) Issued and fully paid		
27,797,416 (2020:10,984,416) ordinary shares of TZS 1,000 each	**27,797,416**	10,984,416
(b) Share premium	**2,431,894**	2,431,917
(c) Advance toward share capital		
Funds received for ordinary shares allocation	-	16,992,072
Funds received for preference share allocation	**5,888,000**	-
	5,888,000	16,992,072
(d) Regulatory reserve	**4,857,213**	3,683,694

The capital injection of TZS 16.99 billion in 2020 related to the National Bank of Malawi initial capital injection to acquire 60.48% of Akiba Commercial Bank Plc issued ordinary shares. The capital injection of TZS 5.89 billion in the current year relates to a preference share subscription as a result of the majority shareholder continued efforts to ensure that the Bank is properly capitalized. The amount was booked as a receivable as at the year end consequent to the shareholders' agreement and was received by the bank on 4 January 2022.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

Regulatory reserve represents the surplus of provision for credit losses computed in accordance with Bank of Tanzania regulations over the provision for impairment of loans and advances computed in accordance with International Financial Reporting Standards.

29. OFF BALANCE SHEET FINANCIAL INSTRUMENTS, CONTINGENT LIABILITIES AND COMMITMENTS

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

Letters of credit commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

Acceptances are a draft or bill of exchange drawn upon and accepted by a Bank. Guarantees are generally written by the Bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default.

At the end of the reporting period the Bank had no outstanding Acceptances, guarantees and letters of credit (2020: NIL).

Commitments to extend credit

At the end of the reporting period the Bank had outstanding commitments to extend credit amounting to TZS 88 million (2020: TZS 102 million).

Legal claims

The Bank is currently involved in legal proceedings and has in consultation with its legal counsel assessed the outcome of these proceedings. Following this assessment, the Bank's management has determined that no provision is needed as at 31 December 2021 (2020: TZS 100 million). Litigations, current or pending, are not likely to have a material adverse effect to the Bank. Out of TZS 100 million provided for in 2020, no amount was claimed.

Various employees have sued the Bank for unfair dismissal. Furthermore, some loan customers have also sued the Bank. In the opinion of the directors, in combination with the Bank's legal advisors, the ultimate liability to the Bank in respect of the amounts claimed in these two situations is not expected to be material.

Tax disputes

The Bank does not have pending tax objections requiring disclosures to the financial statements (2020: Tzs 362 million). The prior year objection related to capital gain tax arising from sale of its shares to National Bank of Malawi amounting to TZS 544 million in which the bank paid TZS 181 million as required by the Tax Administration Act prior to filing the objection. The bank won the objection in 2021 and is eligible for refund of the amount paid to comply with the objections as per Tax administration Act.

Capital commitments

There were no capital commitments authorized as at year end.

30. RELATED PARTY DISCLOSURES

The holding Company is National Bank of Malawi Plc incorporated in Malawi and the ultimate holding company is Press Corporation Plc, a company incorporated in Malawi. The following are the related parties with which the Bank transacted during the reporting period.

Parties are related if one party can control the other party or exercise significant influence over the other party in making financial or operational decisions.

Several Banking transactions are entered into with related parties in the normal course of business and on the Bank's normal commercial terms. The values of related party transactions, outstanding balances at the year end and the related expenses and income for the year are as follows:

(i) Loans and advances to related parties

Advances to shareholders and their related companies were as follows:

	2021 TZS '000	2020 TZS '000
Loans to shareholder and related companies		
Tangerm construction limited	**448,127**	330,936
At start of year	**330,936**	402,870
Advances	**494,611**	130,003
Repayment made	**(377,420)**	(201,938)
At end of year	**448,127**	330,93
Interest income earned	**117,192**	77,326

30. RELATED PARTY DISCLOSURES (CONTINUED)

(i) Loans and advances to related parties (CONTINUED)

Advances to shareholders and their related companies were as follows:

	2021 TZS '000	2020 TZS '000
At start of year	**358,564**	381,828
Advances	**595,730**	532,000
Repayment made	**(551,171)**	(555,264)
At end of year	**403,124**	358,564
Interest income earned	**37,821**	35,276

Loans and advances to related parties were fully performing as at 31 December 2021 and 31 December 2020.

(ii) Deposits from related parties

(a) Deposits received from shareholders

	2021 TZS '000	2020 TZS '000
Inter Consult Limited	**3,813**	34,022
ERNCON Holdings Limited	**500**	1,673
	4,313	**35,695**
(b) Deposits by Directors and key management personnel		
At start of year	**175,013**	264,788
Deposits made during the year	**142,611**	206,481
Deposits withdrawn	**(95,074)**	(296,256)
Balance as at 31 December 21	**222,550**	175,013
Interest expense incurred	**5,504**	3,161

(c) Deposits by shareholders

	2021 TZS '000	2020 TZS '000
At start of year	**35,695**	30,361
Deposits made during the year	**78,454**	36,164
Deposits withdrawn	**(109,836)**	(30,830)
At end of year	**4,313**	35,695
Interest expense incurred	-	-

(iii) Key Management compensation

	2021 TZS '000	2020 TZS '000
Salaries	**1,839,225**	1,173,391
Other short-term benefits	**11,394**	27,345
	1,850,619	**1,200,736**

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

Directors' holding shares at the Bank are listed below:

Name	Nationality	Ordinary shares of TZS 1,000 each	Nominal value TZS 000	Ordinary Shareholding %
Mr. Ernest Saronga Massawe (Ercon Holdings Ltd)	Tanzanian	1,808,627	1,808,627	7.00
Ms. Catherine Kimaryo	Tanzanian	15,122	15,122	0.05

Capital injection done by shareholders during the year has been disclosed under note 28.

(iii) Directors' remuneration

Fees and other emoluments paid to Directors of the Bank during the period are as follows:

Name	2021 Directors fees	2021 Other emoluments	2020 Directors fees	2020 Other emoluments
	TZS 000	TZS 000	TZS 000	TZS 000
Ernest Massawe	16,100	13,300	16,100	4,250
Joseph Rugumyamheto	3,854	3,500	11,500	7,000
Jean Marie Prevost	3,854	500	11,500	5,250
Brian Kuwik	3,854	500	11,500	6,250
John Fischer	3,854	500	11,500	4,500
Rukia Adam	11,500	12,250	11,500	4,000
Prof. Josephat Lotto	11,500	12,750	11,500	3,750
Catherine Kimaryo	9,762	14,000	-	-
Benedict Mahona	2,970	3,500	-	-
MacFussy Kawawa	7,646	6,500	-	-
Harold Jiya	7,646	7,000	-	-
Masauko Katsala	7,646	6,500	-	-
Zunzo Mitole	7,646	9,500	-	-
Etness Chanza	7,646	9,000	-	-
Travelling/Lodging/Others				**30,659**
	105,478	**99,300**	**85,100**	**65,659**

31. COUNTRY OF INCORPORATION

The Bank is incorporated under the Companies Act, 2002 and is domiciled in Tanzania.

32. ASSETS PLEDGED AS SECURITY

As at 31 December 2021 Treasury bills amounting to TZS 5,484 Million had been pledged by the Bank to secure deposits with other banks (2020: TZS Nil).

33. FAIR VALUE

The Directors consider that there is no material difference between the fair value and the carrying value of the Bank's financial assets and financial liabilities where fair value details have not been presented. See note 5.5.

34. SUBSEQUENT EVENTS DISCLOSURE

Russia-Ukraine conflict has significantly increased already high levels of global uncertainty and is expected to impact global markets, outlooks and the expectations of the markets. This is expected to materially heighten risks faced by financial market participants and the global and domestic economies. Active monitoring of the events unfolding in Europe and continuous assessments of the entity's exposure and potential risks, both direct and indirect, is ongoing as the impact on various markets will not be uniform. Sensitivity to energy inflation and certain commodity prices will be elevated and are being monitored. The entity has assessed that its direct exposure to Russia is currently negligible. The entity's focus remains on proactive risk and capital management to positively position itself as the spill over impact of the conflict unfolds. Risks are actively identified, and the consolidated response monitored to ensure effective implementation achieving the targeted result. Scenario analyses is used in the early detection of potential areas of weakness and to assess response effectiveness. The directors are not aware of any other subsequent event with material effect to the financial statements.

35. NEW ACCOUNTING PRONOUNCEMENTS

Adoption of new and revised Standards
During the current year, the Bank has adopted all the new and revised standards and interpretations issued by the IASB and the IFRS-IC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2021. Apart from the detail included in note 5 the adoption of these new and revised standards and interpretations has not resulted in material changes to the Bank's accounting policies.

The Bank adopted the following standards, interpretations and amended standards during the year:

The Conceptual Framework	The Conceptual Framework for Financial Reporting sets out a comprehensive set of concepts for financial reporting, standard setting, and guidance for preparers in developing consistent accounting policies, and assistance to others in their efforts to understand and interpret the standards.

New and revised International Financial Reporting Standards issued not yet effective

35. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

	Standard	Annual periods beginning on or after
IAS 12	Deferred Tax related to Assets and Liabilities arising from a single Transaction (Amendments to IAS 12) The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences.	1st January 2023
IAS 12	Income taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction: Amendments aim at clarifying how companies account for deferred tax on leases; when a lessee recognizes an asset and a liability at the lease commencement.	1st January 2023
IAS 16	Property, Plant and Equipment - Amendment prohibiting entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.	1st January 2022
IAS 8	Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.	1st January 2023
AS 1	Classification of liabilities as current or non-current - Amendments which aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	1st January 2023

	Standard	Annual periods beginning on or after
IAS 1 and IFRS Practice State-ment 2	Disclosure of Accounting Policies - The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the four-step materiality process' described in IFRS Practice Statement 2.	1st January 2023
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide the following reliefs: Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition.	1st January 2021
Annual Improve-ments	Amendments resulting from annual improvements 2018-2020 Cycle for the following standards:	1st January 2022
•	IFRS 1 - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.	

	Standard	Annual periods beginning on or after
•	IFRS 9 - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.	
•	IFRS 16 - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.	
•	IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.	

Apart from the instances detailed above the Bank is in the process of assessing the potential impact that the adoption of these standards and interpretations may have on its future financial performance or disclosures in the annual financial statements.

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