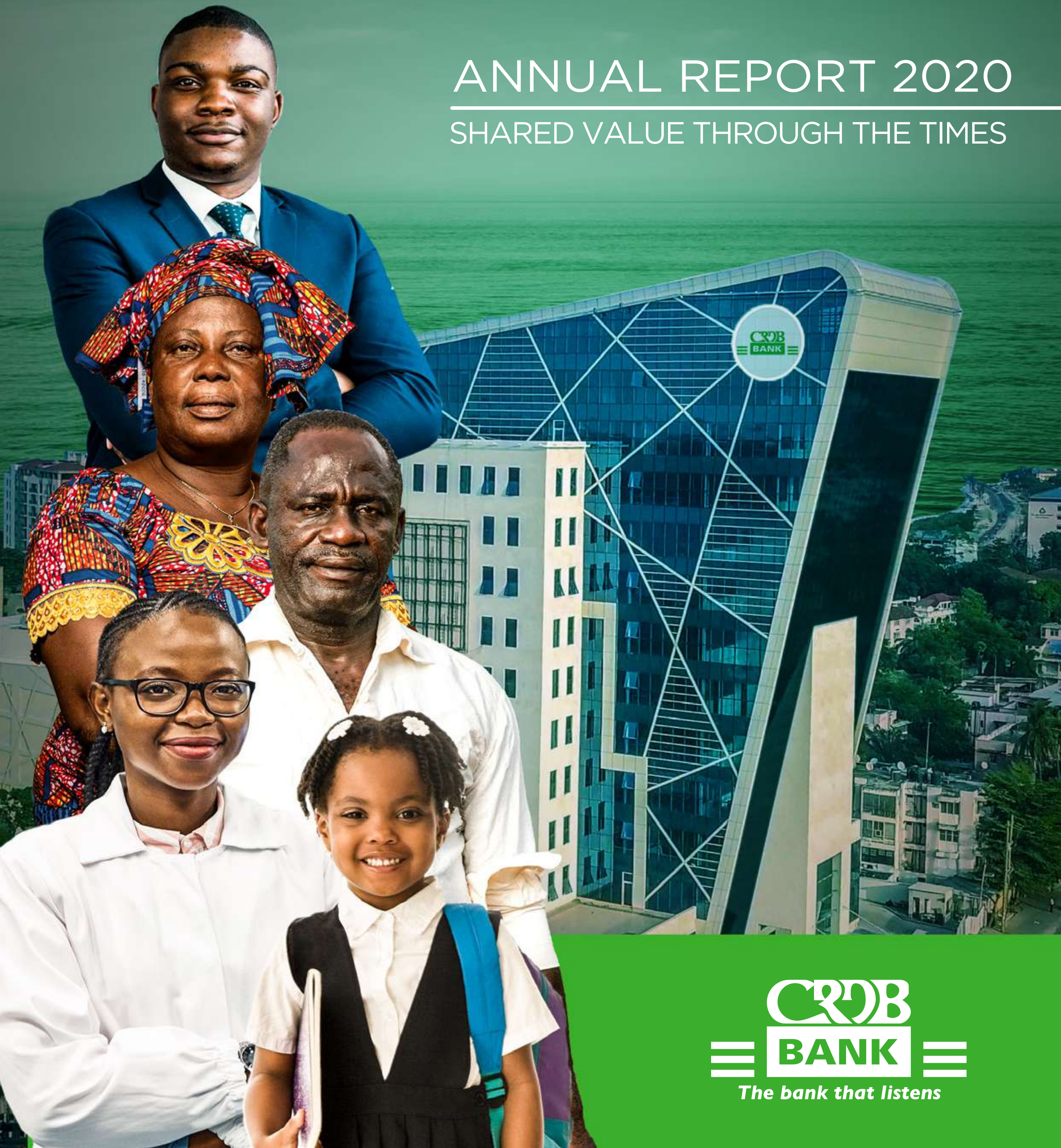
ANNUAL REPORT 2020

SHARED VALUE THROUGH THE TIMES



CRDB BANK

The bank that listens

TO READ OUR DIGITAL COPY PLEASE SCAN THE QR CODE BELOW

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Our philosophy of growth is underpinned by a strong conviction to orchestrate meaningful change and transform lives. For our Group, growth is defined by our sustained influence in society and, more importantly, in the way we engage with the community and the society at large.

To ensure the longevity of our Group we have modelled our business around five key sustainability themes, which - in our perspective - have a lasting impact on our business. you can read more about the themes on page 26

AC	Amortized cost
AGM	Annual General Meeting
ALCO	Assets and Liabilities Committee
AML	Anti-Money Laundering
APF	Local Authorities Pension Fund
ATM	Automatic Teller Machine
BCM	Business Continuity Management
BDO	Business Development Officer
BIF	Burundian Franc
BOT	Bank of Tanzania
CAR	Capital Adequacy Ratio
CASA	Current and Savings Deposit Accounts
CCO	Chief Commercial Officer
CEO	Chief Executive Officer
CET	Common Equity
CFO	Chief Finance Officer
CFP	Contingency Funding Plan
CFT	Combating Financing Terrorism
CIB	CRDB Insurance Broker
CIT	Cash In Transit
CMT	Crisis Management Committee
COO	Chief Operating Officer
CSI	Corporate Social Investments
CSR	Corporate Social Responsibility
DANIDA	Danish International Development Agency
DIA	Director of Internal Audit
DIF	DANIDA Investment Fund
DKK	Danish Krona
DSE	Dar Es Salaam Stock Exchange
EAC	East African Community
EAD	Exposure at Default
ECL	Expected Credit Loss
EPS	Earnings Per Share
ESB	Enterprise Service Bus
EWS	Early Warning System
EXCO	Executive Committee
FSDT	Financial Sector Deepening Trust
FVOCI	Fair Value through Other Comprehensive Income
FVPL	Fair Value through Profit or Loss
GCF	Green Climate Fund
GDP	Gross Domestic Product
GM	General Manager
IAS	International Accounting Standards
ICT	Information & Communications Technology
IFC	International Finance Corporation
IFM	Institute of Finance Management
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
INSEAD	Institut Européen d'Administration des Affaires
ISA	International Standards on Auditing
ISEB	Independent Schools Examinations Board
JKCI	Jakaya Kikwete Cardiac Institute
KCBL	Kilimanjaro Cooperative Bank Limited
KYC	Know Your Customer
LDR	Loan Deposit Ratio
LGD	Loss given default
LIBOR	London Inter-Bank Offered Rate
LTE	Long Term Evolution
MARC	Management Audit and Risk Committee
MANCOM	Management Committee
MCC	Management Credit Committee
MD	Managing Director
MFI	Microfinance Institution
MFSCL	Microfinance Services Company Limited
MIM	Mobile Information Management
MNO	Mobile Network Operators
MOU	Memorandum of Understanding
MSc	Master of Science
MSME	Micro Small and Medium enterprises
MUSE	Mfumo wa Ulipaji Serikalini
N/A	Not applicable
NBAA	National Board of Accountants and Auditors, Tanzania
NFI	Non Funded Income
NGO	Non-Governmental Organization
NPL	Non-Performing Loans
OCI	Other Comprehensive Income
OBIEE	Oracle Business Intelligence Enterprise Edition
OMC	Oil Marketing Company
OSHA	Occupational Safety and Health Authority
PAR	Portfolio at Risk
PAT	Profit After Tax
PAYE	Pay As You Earn
PBT	Profit Before Tax
PD	Probability of Default
POF	Purchase Order Financing
POS	Point Of Sale
PSSSF	Public Services Social Security Fund
RMC	Risk Management Commitee
ROA	Return on Assets
ROE	Return on Equity
S&P	Standard and Poor's
SDGs	Sustainable Development Goals
SDGs	Sustainable Development Goals
SME	Small and Medium Enterprise
SMR	Statutory Minimum Reserves
SOA	Service Oriented Architecture
SPPI	Solely Payment of Principal and Interest
T Bills	Treasury Bills
T Bonds	Treasury Bonds
TIRA	Tanzania Insurance Regulatory Authority
TMRC	Tanzania Mortgage Refinance Company
TNBC	Tanzania National Business Council
TNBRC	Tanzania Mortgage Refinance Company Limited
TRA	Tanzania Revenue Authority
TUICO	Tanzania Union of Industrial and Commercial Workers
TZS	Tanzanian Shilling
UN	United Nations
USD	United States Dollar
USSD	Unstructured Supplementary Service Data

Reporting scope and boundary

CRDB Bank Group Annual Report and Financial Statements have been prepared for the period beginning 1st January 2020 to 31st December 2020. This report extends beyond financial reporting and includes non-financial performance, our approach to risk management, an overview of our material risks and a summary of our governance and remuneration practices. It covers the Group's business activities during the financial year and provides a glimpse into the business prospects. CRDB Bank Group (the "Group") comprises CRDB Bank Plc (the "Bank") and its subsidiaries CRDB Bank Burundi S.A and CRDB Insurance Broker Limited.

Materiality

We apply the principle of materiality in assessing what information to include in our report, which focuses particularly on those issues, opportunities and challenges that impact materially on the CRDB Group and its ability to be a business that consistently delivers value to our stakeholders in a sustainable manner.

Reporting Framework

This report has been prepared in line with industry best practice and accounting frameworks for existing and prospective investors. It is aligned to the parameters of the laws and guidelines governing listed companies, Bank of Tanzania's (BoT) prudential guidelines, National Board of Accountants and Auditors (NBAA), Dar es Salaam Stock Exchange (DSE) and Capital Market and Securities Authority (CMSA) guidelines.

The Group's and Bank's Annual Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS).

To foster clarity and transparency around our value creation process, some elements of the International Integrated Reporting <IR> Framework were adopted in the preparation of this report. We intend to continuously evolve future reports to achieve full adherence to the <IR> Framework.

Combined Assurance

A combined review by management and internal audit was performed to ensure the accuracy of our reporting content, with the Board and its subcommittees providing an oversight role. This report contains certain information that has been extracted from the audited consolidated annual financial statements. The Group's consolidated annual financial statements were audited by Ernst & Young.

Directors Responsibility

The Board acknowledges its responsibility for ensuring the integrity of this report. The Board has considered the operating context, strategy and value creation model and this report, in the Board's opinion, addresses all the issues that are material to, or could have a material effect on, the Group's ability to create value. This report fairly presents the performance of the Group.

About Our Group

OUR GROUP

Overview:
We are an integrated financial services provider listed at the Dar es Salaam Stock Exchange (DSE). We operate two subsidiaries, CRDB Bank Burundi (S.A) and CRDB Insurance Broker Limited. We are the largest bank in Tanzania with a combined asset base of TZS 7.2 trillion. We have a robust branch network comprising 243 branches inclusive of 20 mobile units and 17,031 banking agents. We offer a comprehensive range of financial services to individuals, Small and Medium-sized Enterprises (SMEs) and corporations.

OUR PURPOSE
To transform lives through financial sector innovation, intuitive action and sustainable business.

OUR MISSION
To provide competitive and innovative financial solutions through digital transformation, to achieve a distinctive customer experience, while caring for our people and delivering a sustainable contribution to the society

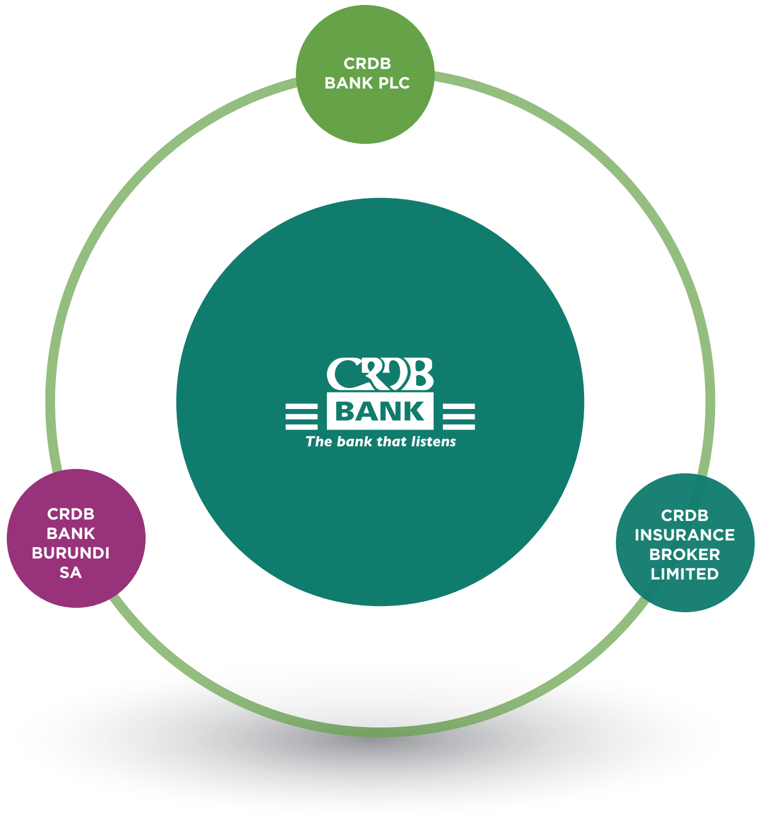
OUR VISION
To be the leading Bank, which is customer needs driven with competitive returns to shareholders.

OUR DIFFERENTIATOR
A robust portfolio supported by a resilient balance sheet and great talent. We invest in people, technology and processes to deliver value in a responsible and sustainable manner.

HOW WE ARE ORGANIZED TO SERVE

Our integrated business model is designed to address the widespread needs covering all market segments by responding to the rapidly changing world.

OUR BUSINESS



What we Offer

Capital Markets
As an independent provider of a wide range of capital markets services, we give our clients stability and assurance.

Business Banking
We offer tailor-made solutions for business owners to address their daily needs. We focus on making banking easy for you so that you can focus on growing your business.

Insurance Brokerage Services
We work closely with leading insurance partners to offer you the best insurance to suit your needs.

Institutional Banking
We offer a comprehensive suite of products and services for large institutions both locally and region.

Corporate Banking
We provide corporate financing solutions to finance major companies in the public and private sector.

Consumer Banking
We are dedicated to helping our customers get the most out of their money. That is why we offer different types of banking services to meet a variety of needs.

OUR DELIVERY CHANNELS

WE ARE A BANK THAT

LISTENS

For 25 years, we have served our customers with a strong conviction and diligence, understanding that our survival as a business is tied to their individual growth and collective prosperity

223 Branches

We have presence in all districts across mainland Tanzania.

Robust Mobile Banking Services

Self Account opening, Bills Payment, Transactions, Loans etc.

Versatile Internet Banking

International Money Transfers, Investments etc.

Debit and Credit Cards

VISA, Union Pay, Mastercard enabled cards.

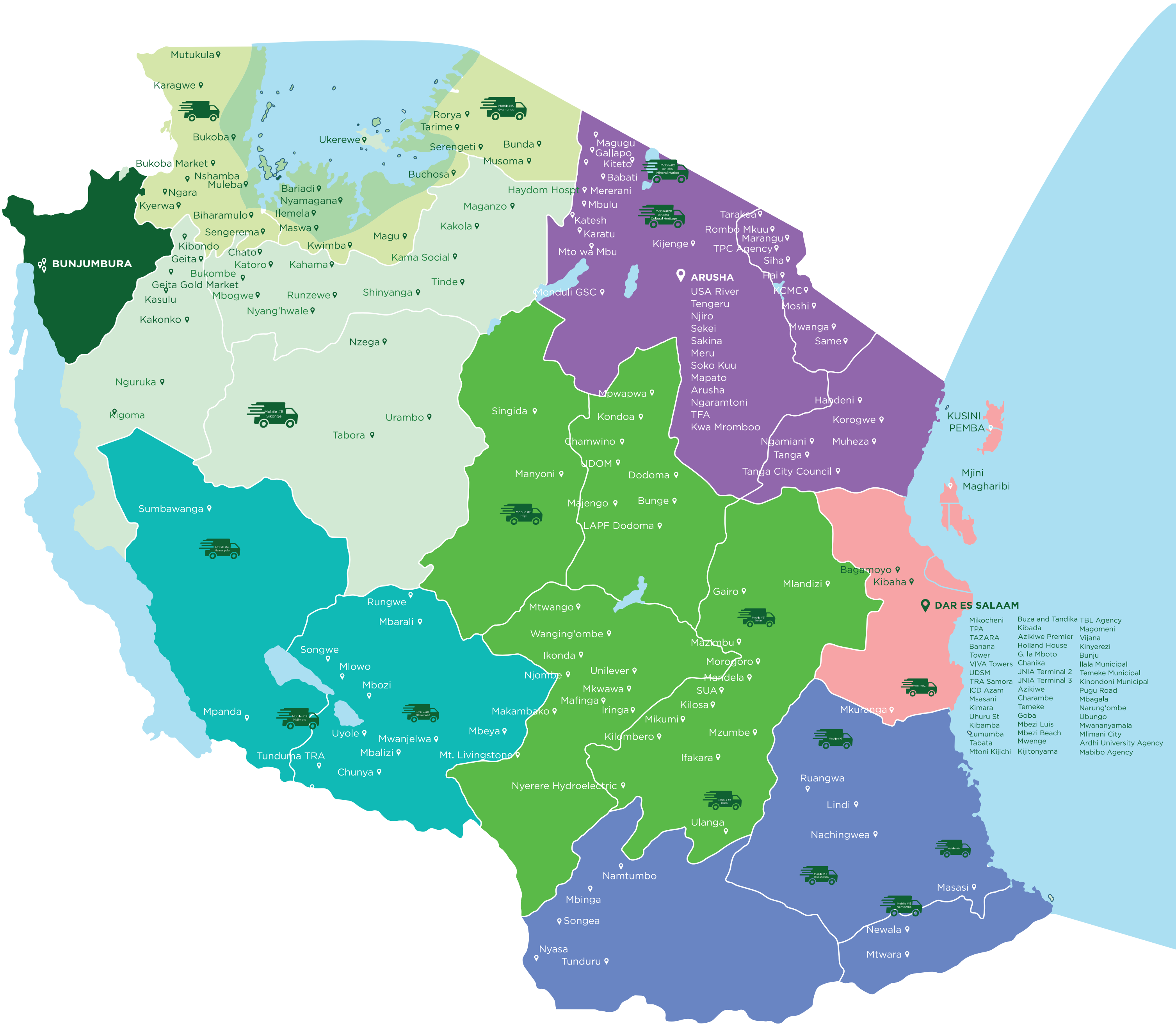
20 Mobile Bank Units

We have motorised branches that provide services in remote locations.

17,031 Banking Agents

Our agents spead across the country to complement our service points.

OUR NETWORK COVERAGE



BRANCH

MOBILE BRANCH

Zones

Lake Zone	Central Zone	Highland Zone	Southern Zone	Northern Zone	Western Zone	Eastern Zone
Mwanza Kagera Simiyu Mara	**Dodoma** Morogoro Singida Iringa	**Mbeya** Songwe Rukwa Katavi Njombe	**Mtwara** Ruvuma Lindi	**Arusha** Tanga Manyara Kilimanjaro	**Shinyanga** Geita Tabora Kigoma	**Dar es Salaam** Zanzibar Coast

OUR STRENGTH

We aspire to grow and deliver value for all our stakeholders. For us, value is best illustrated in the quality of lives of our shareholders, our people and the community around us.

In driving value for our stakeholders, we anchor our actions on a firm foundation of defined strong values. We also have a robust portfolio supported by a resilient balance sheet and great talent. We invest in people, technology and processes to deliver value in a responsible and sustainable manner.

Diversity

At CRDB Bank, we believe that by employing people with different cultural experiences and perspectives, we are able to eliminate these blind spots in how we develop solutions to customer problems. We hold the belief that by enhancing understanding of how messaging, products, and services are received by people with different points of view, we gain a competitive edge to respond to the needs in the market appropriately. For us, diversity is an integral source of our strength, because it fosters innovation and problem-solving by pushing everyone to look at things from different perspectives.

Distribution

With 243 branches and 17,031 banking agents, CRDB Bank is one of the region's most present bank. We have a simple yet powerful conviction that for us to serve our customers better, we must bring services closer to them. This is why through innovation and strategic investments, we continue to expand our delivery channels to deepen access to financial services. We have a robust plan to drive financial inclusion with a clear aim to serve the underserved communities and include the lower segment of the market into the financial ecosystem.

Capitalisation

We have a strong capital position with diverse investments that continue to solidify our liquidity and ability to fund growth. We have a strong focus on value-chain financing, especially in performing sectors in our markets to ensure sustainable growth. Our subsidiary businesses continue to yield strong results to build onto our long-term growth agenda. Our investment at the Dar es Salaam Stock Exchange (DSE) provides us with the liquidity needed to finance our growth aspirations.

Brand

We have a strong heritage as a brand made in Tanzania. We have an enduring history spanning nearly a quarter century. Our story of progress is centred around supporting economic transformation and building sustainable livelihoods for our customers. We believe in the African virtues of kindness and embody the African spirit of resilience. Our long term vision is to drive impact across all our markets through financial sector innovation and become an orchestrater of transformation in the financial services sector.

Innovation

Our philosophy of service is driven by our deep belief in innovation. We take innovation as an ingredient of our thinking. For the last two and a half decades, we have been a pacesetter in the industry, pioneering many firsts and building a future-oriented business model that not only responds to the changing needs of our customers, but also creates a lasting impact. Our sustainability strategy speaks to our desire to spearhead innovation in the financial services sector.

OUR CAPITALS

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

Financial capital

Our shareholder and debt funding gives us a strong financial capital base that supports our operations and fund growth. Financial capital includes the funds our customers invest with us.

Total Assets **TZS 7.2** Trillion

Total Capital **TZS 1** Trillion

Intellectual capital

We have invested in a strong brand and subsidiary businesses, strategic partnerships and innovative products and solutions that we offer to our customers. We have made commendable progress in digital adoption with focus on automation, which is a key driver of delivering our digital strategy.

CRDB BANK Burundi SA

CRDB Insurance Broker Limited

Human capital

We have an engaged and motivated workforce that is guided by a clear vision and anchored in strong values. We are focused on embedding a culture of continuous development, which increases competitiveness and investment in the development of skills required by employees to serve the digital customer of the future

3,635 Qualified personnel

57% Male

43% Female

Manufactured capital

Our physical and digital infrastructure through which we conduct business activities. It includes our branch network, digital platforms and IT estate which we are in the process of enhancing and simplifying.

Branches **243**

Agents **17,031**

Social and relationship capital

In our engagements with key stakeholders we continuously strive to deliver a meaningful value exchange. We value the views of our stakeholders because they play a significant role in shaping our response to business and societal issues.

Customers **3.3M**

We have solid relationships across all stakeholders

Natural capital

The environmental resources used throughout the Group's operations. We are committed to reducing our carbon footprint by remaining conscious to the our materiality.

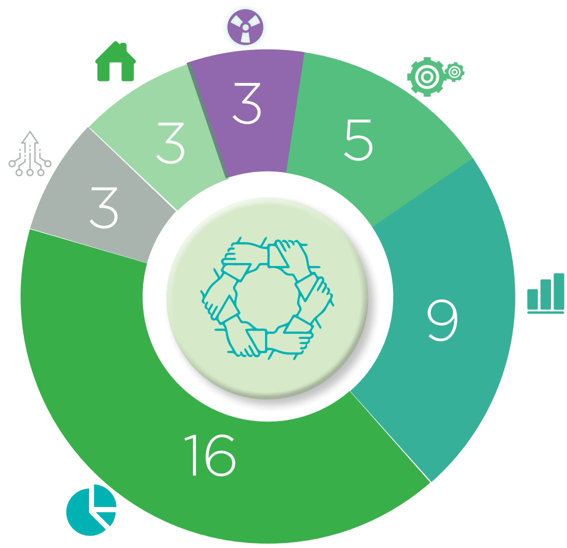
140 Megawatts of electricity saved every year

100,000 Trees to be planted over the next 3 years

OUR LEADERSHIP

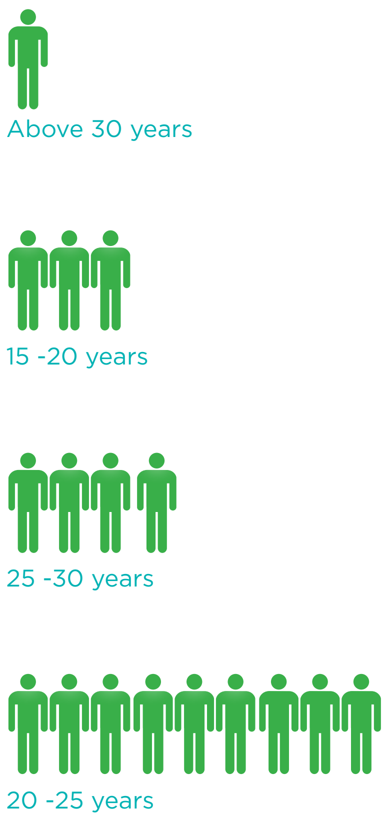
CRDB Group believes in its people. We've been privileged to play leading a role in helping millions of people in East Africa to meet their financial needs. As the financial industry evolves and the needs of our customers grow, so do we. More importantly, we've helped shape and define what financial services mean in everyday lives and supported milions of dreams. Our products, services, ideas and giving now touch the lives of millions of people every day. We credit our strength and endurance to a consistent approach to managing our business, and to the character of our people.

EXPERTISE



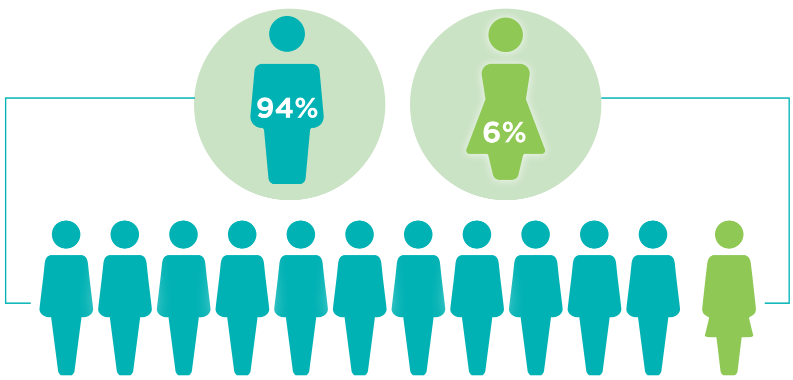
- Business Management
- Banking Operations
- Finance & Audit
- Risk Management
- Strategy & Innovation
- Digital Transformation

EXPERIENCE

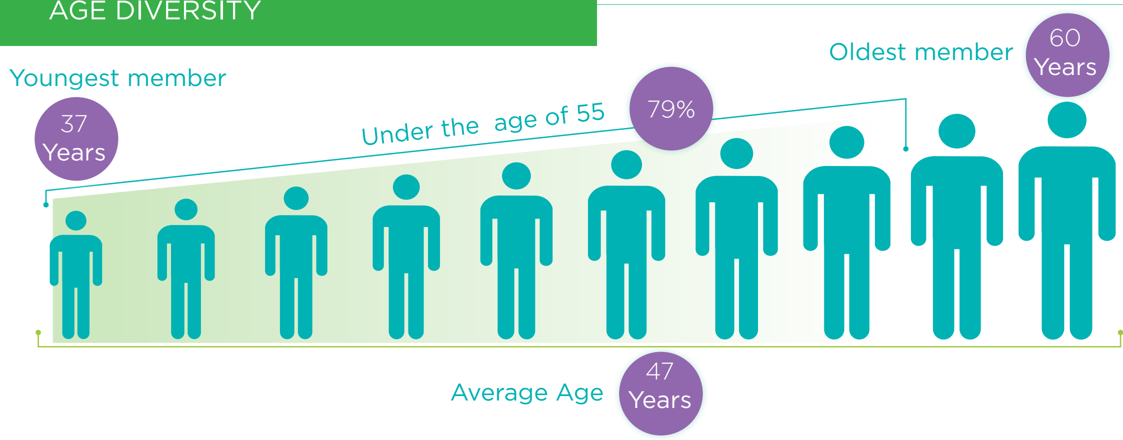


Our forward-looking leadership team is made up of dedicated, focused and experienced executives. Working with each other and with our employees across our markets, their knowledge and experience combine to make a difference for all our stakeholders – customers, partners, regulators, employees, investors and communities around East Africa.

GENDER DIVERSITY



AGE DIVERSITY



OUR GROUP PERFOMANCE AT A GLANCE

OUR KEY FINANCIALS

TZS 165.2 billion
Net Profit
(2019: TZS 120.1 billion)

TZS 7.2 trillion
Total Assets
(2019: TZS 6.6 trillion)

TZS 3.9 trillion
Customer Loans
(2019: TZS 3.4 trillion)

TZS 5.4 trillion
Customer Deposits
(2019: TZS 5.2 trillion)

61.6%
Cost to income ratio
(2019: 64.4 %)

SOUNDNESS

4.4%
Non Performing Loans (NPL)
(2019: 5.5 %)

16.3%
Return on Equity (ROE)
(2019: 13.8%)

3.3%
Return on Assets (ROA)
(2019: 2.6%)

17.9%
Total Capital Adequacy (CAR)
(2019: 17.4%)

SUBSIDIARY CONTRIBUTION

Burundi Subsidiary SA — TZS 11.2 billion (PAT)

CRDB Insurance Broker — TZS 3.6 billion (PAT)

9%

OUR MARKET SHARE

22%
Deposits

22%
Loans and advances

2020 OPERATING ENVIRONMENT

Overview

The operating environment remained stable amidst the turbulent dynamics of the year. The impact of COVID-19 strained some sectors in the economy. Despite the impact of the pandemic on some key sectors, and disruption of global trade, the economy sustained minimal distruption due to policies in place by the government to mitigate the impact. The economy continues to recover to the adverse impacts of the COVID-19 pandemic. Measures were put in place by the government to stabilise the economy and mitigate the impact. In the year, the World Bank upgraded Tanzania to a middle-low-income economy country, improving its investment index. The Banking sector's performance was satisfactory, remaining resilient and recording a good performance in 2020, all things considered.

Regulatory Environment

In the year the banking environment remained sound, stable and resilient with adequate capital to support economic activities. The Bank of Tanzania (BoT) continued to strengthen risk management practices in the financial sector by implementing various policies and regulatory reforms to safeguard the stability of the industry, including directing banks with capital inadequate ratios to implement capital restoration plans and adhering to the regulatory requirements. To alleviate the liquidity pressure banks faced in the year, the Central Bank lowered the **Statutory Minimum Reserve (SMR)** from 7% to 6% . Additionally, the **Discount Rate** was reduced to 5% from 7% to provide additional room for banks to borrow from Central Bank at a lower cost. The Central Bank also **reduced haircuts on Government Securities** from 10% to 5% for T-Bills and from 40% to 20% for T-Bonds; enabling commercial banks to borrow from the BoT with less collateral than before.

Competition

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

CRDB will continue to drive a digital transformation agenda towards building the Bank of the future and creating value to our society through access to credit, financial inclusion and social responsibility programs. The Group will continue to leverage its competitive advantage through customer centricity, improved technology and a committed work force to deliver value to all stakeholders.

Customers

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

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

Technology

The banking sector has embraced technology to serve customers more efficiently and conveniently. The use of technology has revolutionised banking from brick and mortar to clicks, changing how banks deliver services across its channels.

The Group is strategically focused to deploy technological advancements to meet the growing demands of our customers and remain competitive. We are committed to adopting new technologies and business models that support growth and driving digital adoption. The Bank also intends to build advanced analytics capability to maximise the utilisation of the data asset in revenue growth, risk/fraud control and efficiency (financial control and operational cost). We will continuously promote and drive agile culture throughout the organisation in order to manage speed, scale and value of the digital transformation.

OUR STRATEGY

2020 Strategic Activities

- Implemented the new operating Model to enhance operational efficiency and effectiveness.
- Commercialized several disruptive Customer Value Propositions across business segments.
- Enhanced credit management
- Enhanced operational efficiency by driving cost management.
- Enhanced governance and leadership (risk culture & closure of audit issues).

- Created a ring-fenced digital factory with agile delivery squads to lead future innovations and transform the bank from within.
- Digitised Key Customer Journeys to enhance efficiency and customer experience.
- Drove digital adoption and usage.
- Built the foundations to adopt advanced analytics

- Delivered comprehensive learning programs to address skills gaps and develop talent
- Modernized performance management system,
- Strengthened relations with key stakeholders
- Sustained top organization health index
- Strengthened Bank's ICT infrastructure
- Reinforced Diversity and Inclusion across the Group
- Effectively managed the capital growth and capital allocation.

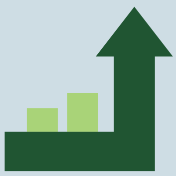
Long Term Plans

Disruption

Fundamentally transform the trajectory of the bank and become financial ecosystem shaper

Growth

Leverage the Group's investment and ICT capabilities to deliver value to our stakeholders



Sustenance

Maintain high performance culture and optimal results environment to sustain the value.

OUR VALUE CREATION BUSINESS MODEL

Our unique business model enables us to respond to a dynamic environment of competing stakeholders' expectations, complex competitive forces, emerging trends and regulatory pressures.

OUR CAPITALS

BUSINESS

FINANCIAL
Equity
Capital
Loans and Advances
Deposits

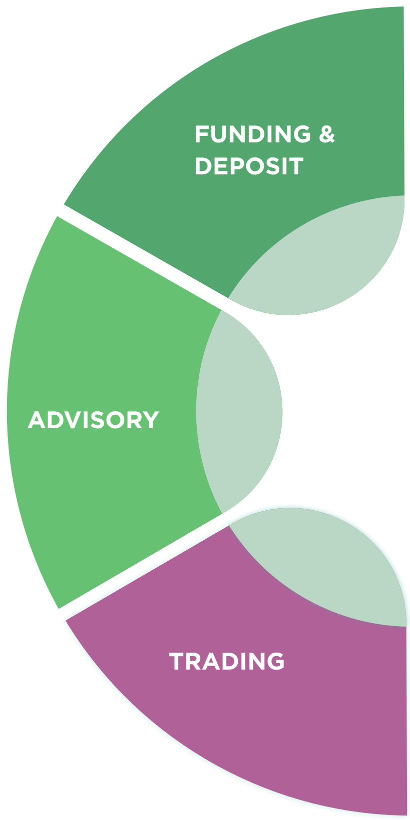
INTELLECTUAL
Strong brand and institutional knowledge

HUMAN
3,635 employees
TZS 4.2 billion in training
Experienced and diverse executive team and a strong board
Performance based reward structure

MANUFACTURED
Wide distribution network comprising of 243 branches, 560 ATMs, 4,584 POS terminals and 17,031 Banking Agents, and 385 E-commerce merchants

SOCIAL RELATIONSHIP
Over 3.3 million customers
Solid relationships across all stakeholders

NATURAL
Impacting natural environment directly in our operations and indirectly through financing client activities



Key drivers of our business
For a detailed account, please refer to our material issues on page 22

Macroeconomic environment

ACTIVITIES

OUTCOMES FOR OUR STAKEHOLDERS

CUSTOMERS

Innovative, efficient cost-effective banking solutions that meet their needs

Improved access to markets and financial services including access to information and advice

A safe and trustworthy financial services provider

EMPLOYEES

A workplace where employees can be productive and achieve their potential.

Performance underpins the rationale for recognition and reward.

Self-led development and an opportunity for career progression.

SOCIETY

Ethical behaviour.

Support for economic growth.

Increased access to, and funding for education, health and sports -related opportunities.

REGULATORS

Fair and ethical engagement when dealing with the Group.

A stable financial services sector

An inclusive and transformed sector.

INVESTORS

Growing, sustainable return on their investment through attractive dividends and growth in share price.

Return on debt-based investments delivered in agreed timelines.

Digital Transformation	Increasing stakeholder needs	Regulatory changes

OUR MATERIAL MATTERS

Our operating environment is characterised by increased competition, disruptive technologies, changing consumer behaviour and increasing regulations. Within the context of our current strategic, cultural and digital journey, we manage the following material matters:

ISSUE	RISK/IMPACT ON VALUE CREATION
1 Increasing Competition	Loss of market share coupled with pressure on revenues and possible loss of revenues if our offerings don't remain competitive.
2 Disruptive technologies and digital adoption	Digital transformation is changing the way we do business, from client onboarding and products sales to servicing.
3 Rising stakeholder expectations	Stakeholders' sentiments can impact our reputation and, affect the cost and availability of funding that is required to drive long-term performance.
4 Ongoing regulatory and policy changes	Growing compliance costs which may have to be passed on to customers and ultimately impact shareholder returns.
5 COVID-19 Pandemic	Slow growth in loans and advances, lower interest rates, slower transactional volumes that impact revenue growth and increase in higher bad debts resulting from job losses, and loan defaults by businesses.
6 Cost to Income Ratio	Bank of Tanzania requires all financial institutions to have a cost to income ratio below 55%.

OUR RESPONSE

Delivering innovative products and services through an increasingly automated and digitised environment.

Improving our partnerships to drive greater alignment between our business and technology partners to ensure we remain agile in the face of change.

Increased engagements with stakeholders to best understand their expectations to incorporate into our strategic planning.

Adopting integrated reporting to increase transparency on our value creation process.

Allocating a material proportion of our investment to regulatory compliance and risk prevention initiatives.

Engagement with policy makers and communities to advocate for appropriate regulatory reform.

Maintaining constructive and proactive relationships with key regulators.

Increased focus on credit risk, liquidity management and capital preservation.
Extended support to customers whose businesses were significantly impacted by COVID-19.

Launch of several initiatives to optimize our cost structure and grow our revenue lines.

OUR STAKEHOLDERS

As a financial services provider we are deeply connected and committed to the environment we operate in and the societies we serve. Our ability to deliver value is dependent on our relationships and the contributions and activities of our stakeholders. We engage in dialogue with our stakeholders to understand their needs and seek to meet their expectations to create value for them and for the CRDB group:

STAKEHOLDERS	Their Needs and Expectations

SHAREHOLDERS AND INVESTORS

81 Foreign Investors

910 Local Institutional Investors

29,150 Retail Investors

- Shareholder value creation through share price appreciation and an attractive and sustainable dividend stream
- Continuous engagement to inform their investment decisions.

EMPLOYEES

3,635 Employees

57% Male **43%** Female

- Career development and advancement opportunities
- Challenging work, with opportunities to make a difference
- Employment at a company with a strong brand.
- An empowering and enabling environment that embraces diversity and inclusivity.
- Fair remuneration, effective performance management, and recognition
- A safe and healthy work environment

CUSTOMERS

>3.3 Million Customers

- Innovative financial solutions and services
- Convenient access to banking services through digital channels.
- Excellence in client service.
- Value-for-money banking that is competitive and transparent in pricing.

REGULATORS AND POLICY MAKERS

BOT Bank of Tanzania

TRA Tanzania Revenue Authority

CMSA Capital Markets and Securities Authority

- Compliance with all legal and regulatory requirements
- Being a responsible taxpayer in all jurisdictions where we conduct business.
- Active participation and contribution to industry and regulatory working groups.

SOCIETY

Communities we serve

Suppliers

Partners

Media

- CRDB providing access to relevant financial solutions that help to achieve desired outcomes for individuals, their families, their businesses and their communities.
- CRDB influencing its stakeholders to act responsibly in environmental, social and governance matters
- CRDB partnering with the community to address common social and environmental issues to build a thriving society.

Key Objectives and Metrics we Track

ROE and cost-to-income

Price-to-book ratios

Dividends paid and dividend cover

AGM voting outcomes

A culture that is client-centred and innovative growth

A diverse and inclusive staff profile

Staff Productivity

Net Promoter Score (NPS) and client satisfaction ratings

Client complaints

Compliance to minimum regulatory requirements

Direct and indirect tax contributions

Corporate social investment spend and activities

OUR PERSPECTIVE OF GROWTH

We believe in one future that includes everyone

Our philosophy of growth is underpinned by a strong conviction to orchestrate meaningful change and transform lives. For our Group, growth is defined by our sustained influence in society and, more importantly, in the way we engage with the community and the society at large. To ensure the longevity of our Group we have modelled our business around five key sustainability themes, which - in our perspective - have a lasting impact.

Addressing socio-economic challenges

We believe that our success as a corporate organization is determined by our ability to address the socio-economic challenges in our markets. Our vision is to be an enabler of change by providing financial instruments and channels through which society's vision can be achieved. As a socially responsible corporate organization, we believe we can use our unique position in the economic system as leverage in addressing some of the most pressing issues of our time.

Contributing to economic growth

CRDB Bank plays a vital role in facilitating trade and, supporting the economic growth of the countries through its business. Our sustained commitment to providing innovative products and services to a wide range of customers, including governments, offer a great opportunity for our markets to achieve substantial growth resulting from an efficient financial services sector.

Pioneering change in financial services

As a leading financial services provider, CRDB Bank Group fully understands and appreciates the importance of adapting to change to remain competitive. We believe that changing with the times will make us future-compliant because it allows us to develop and adopt appropriate attitudes and aptitude. Our strongest conviction is that by thinking and acting sustainably, we will deliver excellent customer service and strong financial results, which will install the Group on a steady growth path, long into the future.

Driving financial inclusion

Building on our desire to transform, we remain keen on deepening access to financial services in the East African region because we believe financial inclusion has a bearing on our sustainability. We strive for full inclusion for the unserved and underserved population within our markets of operation. Our strategy embraces a broad definition of financial inclusion, seeking to improve access, ensure quality and actual usage of financial products and services, including credit, insurance, payments, remittances, and savings.

As a Group, we're focused on making sure technology transforms financial services in a way that works for everyone.

Championing social sustainability

We genuinely aspire to be a leader in corporate sustainability. We are committed to the journey — as an employer, a business partner, a community member, an environmental steward and a value creator for shareholders. We strongly believe that by thinking and acting sustainably, we will deliver excellent customer service and strong financial results and position the Bank Group for a bright future.

For us, sustainability is the way we manage and operate our business to, best serve our customers, care for the environment, secure profits and drive long-term prosperity. We comprehend sustainability as a business method that ensures safety, efficiency and responsibility in a manner that protects Bank employees, communities, shareholders and the environment, now and in the future.

DIGITAL INNOVATION MILESTONES

1999

The journey began in 1999 when the Bank started to use computerized system in its operations; we became one bank one branch. Before that, each branch was operating as a separate bank. After that the Bank started to implement a number of systems (such as Bank Master, Branch Power) to improve efficiency in service delivery.

2002

Since then the Bank implemented a number of innovative programs to transform Banks operations. On May 2002, we issued our first TemboCard. At that time, many banks were still using the traditional way of banking using "bank passbook".

2002

The launch of TemboCard brought about the introduction of other alternative banking channels such as Automatic Teller Machines (ATMs) and Point of Sales (PoS) that supports the use of these cards.

2004

In 2004, CRDB Bank was the first local bank to co-brand our beloved TemboCard with Visa International. The Bank was certified by Visa International to be both an issuer and acquirer of Visa electron cards.

2011

In 2011, the Bank became the first local bank to introduce to the market first mobile banking solution "SimBanking" giving its customers' ability to access services wherever they are through their mobile phones.

2011

Same year (2011), the Bank partnered with MasterCard to launch TemboCard MasterCard. The launch of TemboCard MasterCard was targeting customers with business connection in North America.

2012

Over the years, SimBanking has grown to become the most reliable mobile banking service in the market and a household name for all mobile banking solutions.

2014

In August 2014, the Bank went a step further, by collaborating with Chinese Bankcard Association to launch acceptance of China UnionPay Cards throughout CRDB Bank's ATMs and point of sale (PoS) terminals.

2016

Embracing the technological revolution in this digital age, in 2016, CRDB Bank introduced SimBanking Application to supplement the existing USSD version.

2018

On February 21st 2018, we launched our first Credit Cards TemboCard World Reward Credit Card and TemboCard Gold Credit Card to cater for society's increased mobility and demand for greater convenience in purchasing power.

2018

July 2018, the Bank introduced QR code solution, a payment solution that enables customers easily make payments by scanning a merchant code using their SimBanking App. Similar solution was integrated in SimBanking USSD where customers make payments using merchant number.

2018

2018 being the first year of implementing a five-year strategy (2018 – 2022), CRDB Bank introduce SimAccount, a mobile solution that enables people to open individual and group account (s) on their own using mobile number. The platform is also designed to support Government's financial inclusion drive.

2019

The Bank digitized some of its lending products enabling customers to access loan at the comfort of the home/ office or while on the go. To start with the Bank introduced Salary Advance, Boom Advance and Jiwezeshe loan for Machingas.

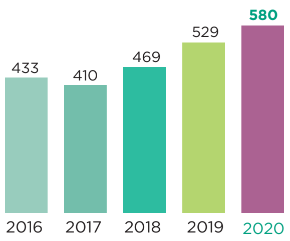
2020

The Bank intoduced Self Digital KYC accounts, allowing customers to open their own accounts. Additionally, the Bank launched a foreign exchange ATM.

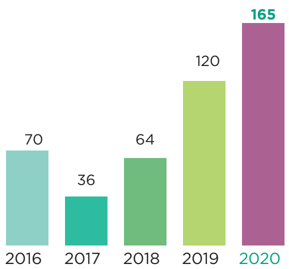
5-YEAR PERFORMANCE HIGHLIGHTS

(In TZS Billion)

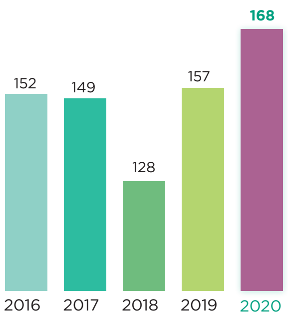
Net Interest Income



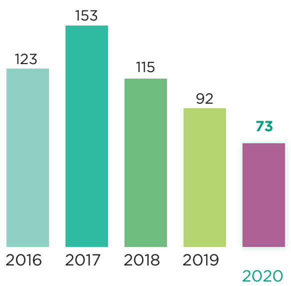
Net Profit After Tax



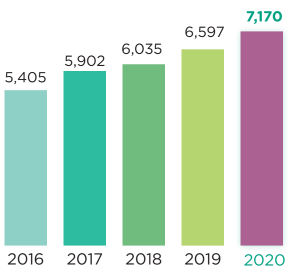
Net Fees and Commissions



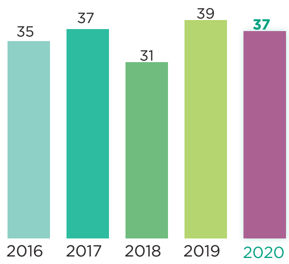
Credit Loss Expense on Financial Assets



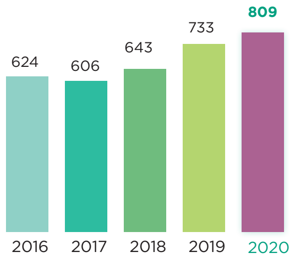
Total Assets



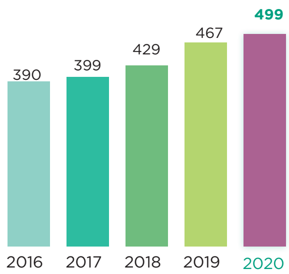
Net Foreign Exchange Income



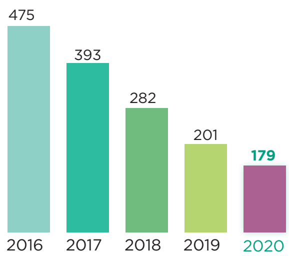
Operating Income



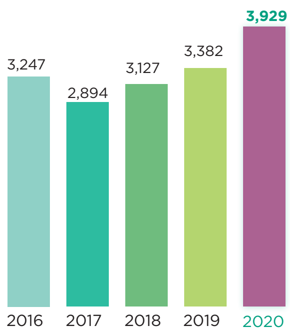
Operating Expenses

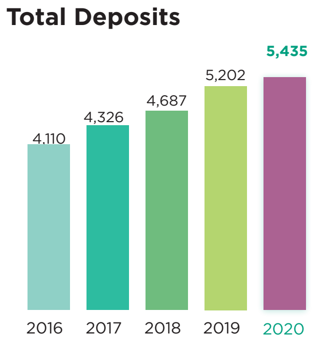


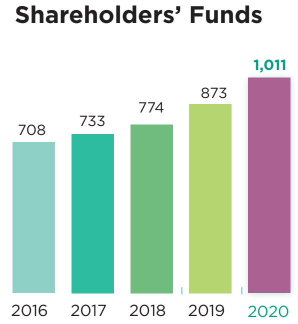
Non-Performing Loans



Loans and Advances





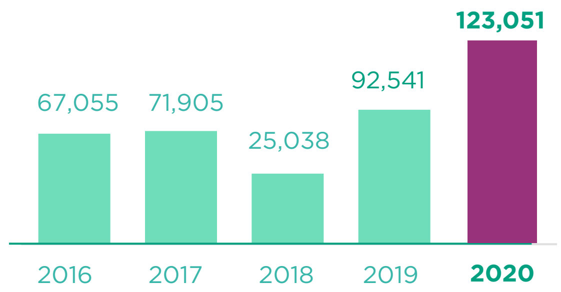


5-Year Trend

Financial highlights					
In TZS Million	2016	2017	2018	2019	2020
Net interest income	433,145	409,716	468,545	529,086	580,480
Impairment losses on loans & advances	123,383	153,374	115,323	91,503	73,065
Net fees and Commissions	152,416	149,298	128,064	156,564	167,659
Net Foreign exchange income	34,842	37,351	31,326	38,660	36,721
Operating income	623,841	606,416	642,666	733,134	808,702
Operating expenses	389,690	399,464	428,880	466,946	499,466
Net income	69,577	36,212	64,132	120,145	165,186
Loans and Advances	3,247,257	2,893,838	3,126,733	3,382,024	3,929,096
Total assets	5,405,159	5,901,608	6,035,387	6,597,248	7,170,472
Total deposits	4,109,974	4,325,871	4,687,174	5,202,247	5,434,647
Shareholders' funds	707,626	733,460	773,620	873,069	1,010,964
Non-performing loans and advances	474,905	393,295	282,084	200,577	178,624
Key ratios					
Earnings per share	26.6	13.9	24.6	46	63.2
ROA	2.1%	0.9%	1.6%	2.6%	3.3%
ROE	9.8%	4.9%	8.3%	13.8%	16.3%
Cost to Income ratio	62.4%	66.7%	66.7%	64.4%	61.6%
Non-funded income/ Total income	30.7%	33.9%	27.1%	31.0%	31.8%
Net profit margin	11.0%	6.0%	10.0%	16.4%	20.4%
Capital/assets	13.1%	12.4%	12.8%	13.2%	14.1%
Capital/ Deposits	17.2%	17.0%	16.5%	16.8%	18.6%
Gross Loans/ Total Deposits	79.0%	66.9%	66.7%	68.1%	75.1%
NPL/ Total Loans	13.9%	12.6%	8.5%	5.5%	4.4%

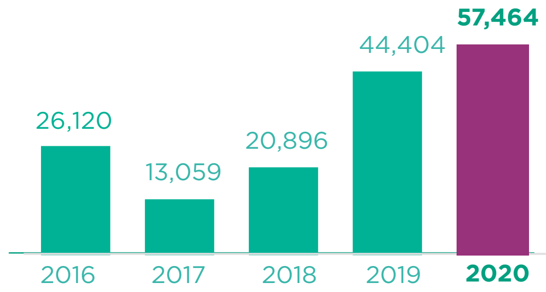
THE VALUE WE CREATED 2020

Expansion and Growth (In TZS Million)



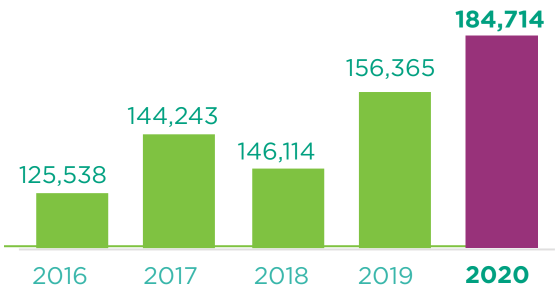
Our business is that of trust with our customers. We acknowledge that trust is of paramount importance to us and therefore endeavour to guard it at all time. We do this by protecting our customers'interests and invest in building and strengthening customers' trust.

Dividend Paid to Shareholders (In TZS Million)



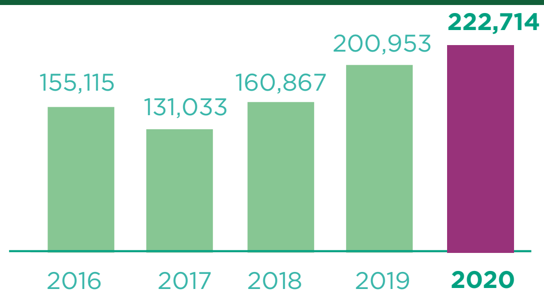
Shareholders have trusted us by investing in our shares; with expectation that they will get a competitive return. With the significant growth in profit in the 2020 financial year, the Board has recommended a dividend of TZS 22 per share which translates to TZS 57.46 billion.

Government (Taxes) (In TZS Million)

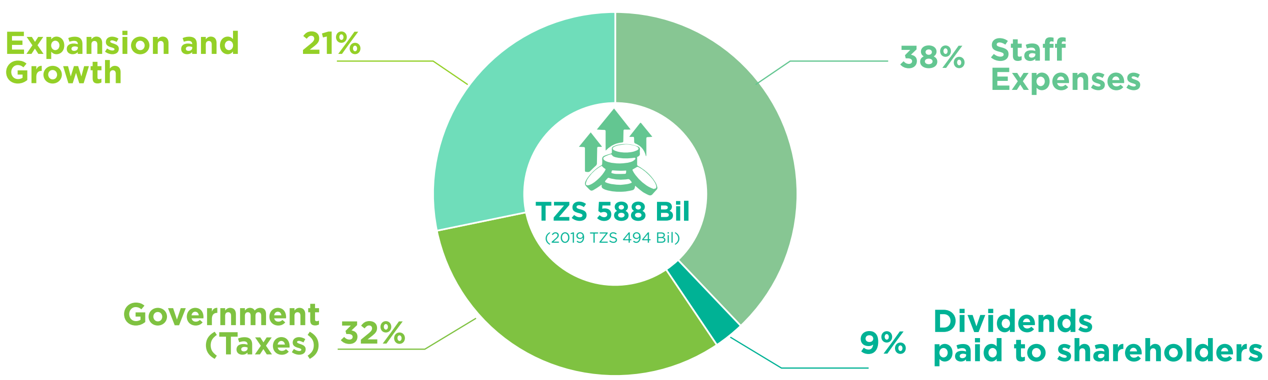


We are a committed tax payer in both Tanzania and Burundi. We diligently and consistently remit a range of taxes and regulatory fees such as Income Tax, Value Added Tax (VAT), Skills Development Fees, Custom fees etc.

Staff Expenses (In TZS Million)



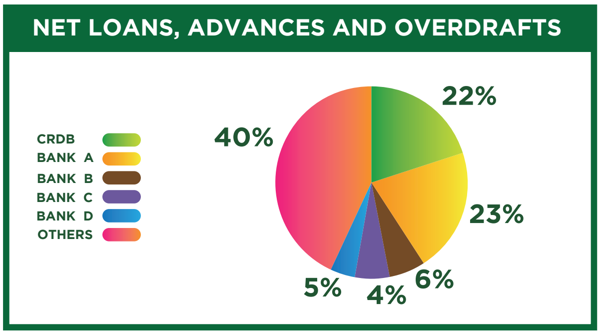
We believe in providing financial stability to our people through employment. The Group directly employs over 3,000 members of staff across all our business operations. During the 2020 financial year we paid in excess of 22 billion to our employees through salaries and employment benefits including, a comprehensive medical insurance for staff and their immediate families.

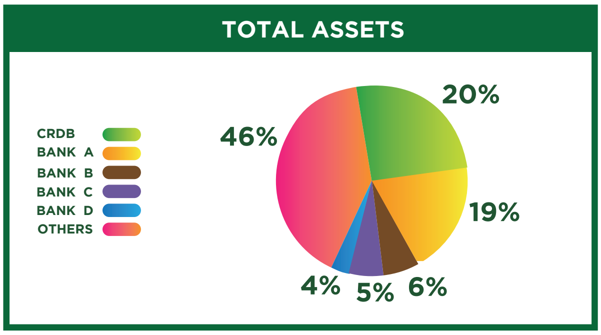


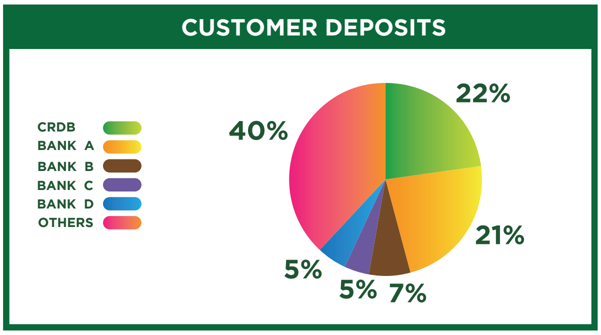
VALUE ADDED STATEMENT 2020

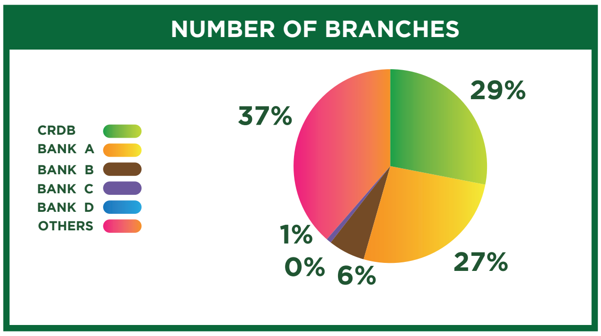
				In TZS Million
	2020		2019	
Income earned from financial services	**699,294**		646,087	
Cost incurred in provision of services	**(118,814)**		(117,001)	
Value added from financial services	**580,480**		529,086	
Non operating income	**264,655**		237,203	
Other operating expenditure	**(257,192)**		(272,026)	
Value - added	**587,943**		494,263	
Distribution of value added				
To Employees:				
Salaries and other benefits	**222,714**	**38%**	200,953	41%
To Shareholders:				
Dividend to other shareholders	**37,683**	**6%**	29,119	6%
Dividend to the Government	**19,781**	**3%**	15,285	3%
To Government:				
Corporate Tax	**49,036**		49,024	
PAYE	**61,030**		51,019	
Skills & Development Levy	**9,310**		8,547	
Excise Duty/ Service Levy and other taxes	**24,654**		24,104	
VAT on services	**40,684**		23,671	
Total Taxes	**184,714**	**32%**	156,365	32%
To expansion and growth				
Depreciation, deferred tax and retained earnings	**123,051**	**21%**	92,541	18%
Value distributed	**587,943**	**100%**	494,263	100%

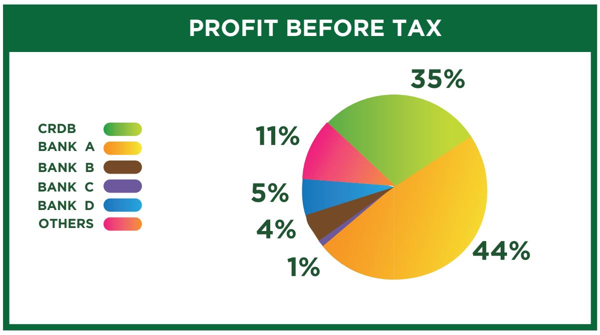
INDUSTRY COMPARISON











AWARDS AND RECOGNITIONS

Our continued pursuit for excellence has not gone unnoticed. Our Group remains a highly recognised institution locally, regionally and globally. In addition to our awards and accolades of the past years, we have been recognised by various professional bodies, entities and organisations of repute, further reinforcing our market leadership. We continue to pursue distinction through differentiation and delivering an unmatched experience to our customers.

A Review of Our Business

GROUP CHAIRMAN'S STATEMENT

Dr. Ally Hussein Laay
Non - Executive Director and Board Chairman

"I am happy that our Group achieved commendable results, despite the extraordinary circumstances."

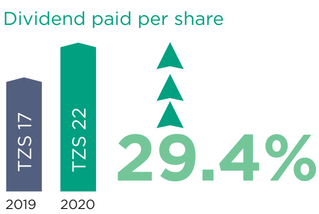
When we settled in at the beginning of the year to deliver on our promise to you, we were energised by the prospects that 2020 portended. Guided by a succinct strategy and supported by a committed team, we set out to embrace disruptions in our quest to build a sustainable business. Not knowing what the future held; we were confronted with an unprecedented crisis that has changed the course for humanity. COVID-19 posed an extraordinary challenge not just to our business, but to the entire global economy. Our thoughts and prayers are with those who have lost loved ones to the virus and those still struggling with it.

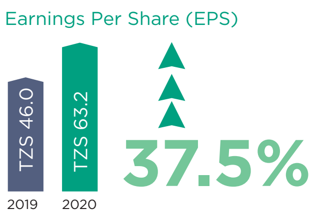
Nevertheless, we continue to stand strong as humanity, resilient and determined to conquer the virus. I am relieved and delighted that despite the ever-pervasive fears of the deadly virus, we have risen above challenges and elevated the collaborative spirit of supporting one another in times of adversity. This is what defined our Group throughout the year, even as we pressed on with the implementation of our medium-term strategy.

It is with a great sense of pride that I present to you the CRDB Bank Group's annual report and Financial Statements for the year ended December 31, 2020. I am happy that our Group achieved commendable results, despite the extraordinary circumstances. The achievements outlined in this report would not have been possible without the commitment and dedication of our people. I am confident that we have a leadership that is capable of steering the Group to achieve our long-term aspirations.

A review of our operating environment

The economic landscape was mostly unpredictable, albeit stable. The business environment was severely rattled by global events spinning from the outbreak of the novel coronavirus. Shockwaves from the pandemic hit home in the 2nd and 3rd quarters of the year. This meant a readjustment of our Group's approach to business to adapt to radical changes in the marketplace. I am glad to report that a swift action taken by the Bank's management, coupled with the Bank of Tanzania's (BoT) interventions, changed the Group's fortunes, yielding the positive results as presented in this report.





In my assessment, the Group's performance was impressive given the extraordinary events of 2020, which significantly altered the business landscape. Countries around the world changed their priorities as the disruption affected millions of livelihoods. It is heart-warming to know that our Group played an active role in mitigating the impact of pandemic in our respective markets through our social investment arm. Our acts of kindness sit at the core of our social responsibility philosophy, because we see ourselves as a partner in the growth of our nations' and continent's economy.

Against the backdrop of a raging pandemic, the Tanzanian economy remained resilient, sustaining growth averaging 4.7% a year. The growth was relatively higher than its neighbours in the region, mainly because the government made a bold call to keep the economy running during the pandemic.

From an industry perspective, the Bank of Tanzania's (BoT) commitment to strengthening the sector continued to provide a solid basis for our growth. I am happy to report that our Group remained liquid and has sufficient capital to fund growth. Strategically, we have taken a proactive approach to enterprise risk management to ensure we sustain growth long into the future. We continue to diversify our business, taking into account the economic aspirations in our markets. Gladly, management has taken a proactive approach of engaging stakeholders to explore opportunities for collaboration. This is part of our long-term strategy to achieve sustainability.

On matters of public affairs, the political environment in our markets favoured our operations aiding the execution of our strategy. Burundi held peaceful elections in May 2020 ushering in a new regime, while Tanzania held polls in October, giving the incumbent administration a second term. We expect continuity in both markets, benefitting from the region's political stability and good bilateral relations.

Reflecting on the Group's financial performance

We have made tremendous progress in implementing our five-year strategy, which continues to bear fruit. The 2020 financial year was the 3rd year in its implementation and I am happy that the results are consistent with our vision and aspirations. The Group delivered a robust financial performance with a 37.5% YoY growth in net profit to TZS 165.2 billion, compared to TZS 120.1 billion reported in 2019. Return on Equity (ROE) grew from 13.8% in 2019 to 16.3% in 2020, and Earnings Per Share (EPS) increased by 37.5% to TZS 63.2 up from TZS 46.0 recorded in 2019.

Our subsidiaries made significant contributions of 9% in Group profitability, compared to 3.8% recorded in 2019. This represents a growth of 137%, inspired by the adaptive strategies implemented across the operations. CRDB Bank Burundi SA performed exceptionally well, mirroring some approaches from the parent company. I am happy that the Burundi market continues to exhibit good prospects, at least in the foreseeable future. Similarly, our insurance subsidiary, CRDB Insurance Broker Limited, displayed a good fete leveraging innovation and a new business model to deliver a robust performance. We continue to examine our investments with the view to optimizing resources to deliver high efficiency.

As expected, the good results continue to influence our performance at the stock market, indicating strong liquidity for our Group. During the year, our share price appreciated 105.3% from TZS 95 at the close of 2019, to TZS 195 at the end of 2020. It is also the most active counter at the Dar-es-Salaam Stock Exchange (DSE) with more than **150 million** shares traded in 2020.

We continue to implement strategies that will deliver high performance, leveraging new opportunities and diverse talent. Specifically, we are optimizing the Group's productivity through strategic investments in ICT to ensure resilience and sustainability.

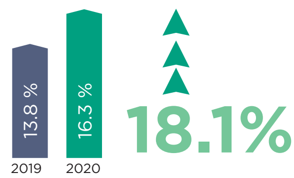
Achieving operational resilience

During the year, we accelerated our digital transformation initiatives in response to the rapidly changing business environment. Specifically, we bolstered our data and disaster recovery capabilities by investing in a tier-3 data centre. The Board had earmarked system stability and recovery capability (resilience) as a priority focus for the year, bearing in mind the potential of risk and, the Group's ability to compete in a globalized world. I believe that with this investment, our Group is now well-positioned to implement best-of-class digital solutions and achieve cross-generational integrations.

We will continue to implement projects that are integral to our plans with the view of building a robust foundation for sustained growth.

Share Price Performance

Return on Equity (ROE)



Expanding our business

In line with our aspiration to transform lives, we continued to expand our horizon with strategic investments to nourish our muscles to reach the underserved population. As such, we made strategic investments in the cooperatives sector, with a TZS 7 billion capital injection in the Kilimanjaro Cooperative Bank Limited (KCBL). KCBL presents a unique opportunity for our Group to support the agriculture value chain - a focus area for our retail business. Ultimately, turning around the cooperative will not only bring good returns, but also enrich our heritage as a Group, considering our journey of progress as a cooperative rural development bank two-and-a-half decades ago.

Our ambition to become a regional powerhouse gained momentum in the year, with preliminary engagements bringing us a step closer to the dream. You will recall that the Board approved the Group's entry into Congo in 2019 and discussions with regulators are now at an advanced stage. We are optimistic that 2021 will culminate in a deal and allow for the commencement of operations.

Strengthening Governance

Our Group is founded on strong principles of good corporate governance, which we conceive as integral to our prosperity. We understand the depth of the responsibility placed upon us by our shareholders to safeguard their hard-earned investments. This is why we conduct our business openly and transparent manner adhering to tenets of good corporate governance.

I am glad that we have a diverse Board of Directors that has the right balance of skills and experience to steer our Group into prosperity.

Changes in the Board

During the year, we received a new member of the Board, Ms. Ellen Gervas Rwijage, who joined the Board as a representative of the DANIDA Investment Fund (DIF). Ms. Rwijage replaces Dr. Edwin Paul Mhede, who resigned following his appointment to another financial institution. She brings to the Board extensive legal and regulatory expertise, which complements the existing Board's skillsets. On behalf of the Board, I welcome Ms. Rwijage and, on the same note, express my sincere gratitude to Dr. Mhede for his invaluable contribution during his short tenure.

Changes in the Bank's Management

Further to the leadership changes made the course of the preceding year, I am happy to report that the Regulator approved the Directors, who were appointed in 2019. The Directors include Mr. Leo Ndimbo (Business Transformation), Mr Prosper Nambaya (Corporate Banking), Mr. Deusdedit Massuka (Information and Communications Technology), and Mr. Exavery Makwi (Credit).

During the year, Ms Esther Kitoka, who served as the Chief Operations Officer (COO), and Mr Arthur Mosha, who was the General Manager (GM) for our insurance subsidiary; left the Bank to pursue other interests. We thank the two executives for their invaluable contributions over the years. I wish to also thank the Group CFO, Mr Frederick Nshekanabo, for holding the fort and executing the COO's office, before the appointment of our new COO.

Following a competitive recruitment exercise, the Bank approved the appointment of Mr. Bruce Mwile to serve as COO. Until his elevation, Mr Mwile was the Managing Director of our Burundi Subsidiary. He is credited with steering the subsidiary from inception to its current profitable state. I am confident that Mr. Mwile's tenacity and experience will provide the necessary nudge and fuel our ambition to achieve operational excellence. An exercise to recruit a substantive MD for the Burundi subsidiary is ongoing.

Driving sustainability through social transformation

The Board appreciates the ever-increasing role that CRDB Bank Group plays in society to create value for all stakeholders. The Group is at the forefront of changing lives by being a responsible citizen and an environmental steward. As a Group, we continue to extend a helping hand to deserving causes through our social investment initiatives with a view of creating a positive impact on society.

In line with our broad CSR policy, we have committed to investing 1% of our net profit towards social causes that have a more sustainable impact in the broader community. Building on our strong foundation of corporate social responsibility, we empower our subsidiaries to develop their policies and programs specific to their unique circumstances.

To streamline our sustainability efforts, the Board approved a concept note for establishing a foundation. The foundation will focus on accelerating our efforts to drive financial inclusion by positioning the Bank's brand to support the global agenda in the context of the United Nations Sustainable Development Goals (SDGs).

Looking ahead

As we continue to pursue our aspirations we remain committed to building a future-ready bank, focused on transforming lives through innovation. We are focused on building a resilient enterprise, capable of flourishing despite the shifting business landscape. Our priority is to invest in our people by equipping them with the right tools and resources to deliver optimally. Our new headquarters at Palm Beach, Upanga will provide a modern work environment that, I believe, will inspire productivity.

I am confident that we have the right strategic focus, people, and resources to deliver continued growth in the years ahead.

Dividend Recommendation

The Board continues to balance the optimization of shareholder value and the need to re-invest funds in the business for future growth. Consequently, it has recommended a dividend of TZS 22 per share for the year ended 31 December 2020, subject to approval by shareholders during the Annual General Meeting (AGM).

Acknowledging your support

As a Group, we remain greatly indebted to our shareholders, customers and, partners for their unwavering support. Our achievements in 2020 are a result of your continued commitment and belief in us, which is the hallmark of our success. I thank my colleagues on the Board for their insightful counsel throughout the year. Their commitment and dedication are a true testament to selfless leadership. I am equally grateful to the Bank's management and staff for the successful execution of the Bank's strategy. More importantly, I heartily thank our customers, who have been a great pillar in our growth. We are forever indebted to you for your continuous trust. Lastly, on behalf of CRDB Bank Group, I thank the various regulators for the constructive engagements we had during the year.

Dr. Ally Laay
Group Chairman

GROUP CEO'S STATEMENT

Abdulmajid Mussa Nsekela
Group CEO & Managing Director

"Our transformation efforts continue to yield good tidings, even as we upscaled our service delivery through our digital channels.

If I could describe the year in one word, I would say 2020 was an unprecedented one. Confronted with a global health crisis occasioned by the COVID-19 pandemic, the world endured challenging times but remained resilient in the face of unimaginable adversity. For our Group, resilience aptly describes 2020 - the third year of our medium-term strategy.

Despite the persistent challenges, we achieved significant milestones and extended our influence beyond borders. Our business remains robust and continues to create value for our stakeholders. It is, without a doubt, most humbling for me as the Group captain to steer your vision as shareholders of CRDB Bank Plc, especially now when the banking industry is witnessing continuous transformations due to a constantly shifting business landscape.

Sustaining performance

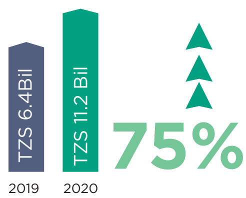
During the year, we made tremendous gains, leveraging emerging opportunities in the marketplace. I am happy to report that we proactively embraced the changing situations and quickly adapted to the new normal. Our strategic actions bore fruit as reflected in the financial performance detailed in this Annual Report. Our Group Profit After Tax (PAT) grew significantly to TZS 165.2 billion from TZS 120.1 billion reported in 2019. This represents a 37.5% (YoY) growth, which was driven by an increase in both our net interest and non-funded incomes. The sustained growth is a testament to the fact that our reforms have been successful and, continue to yield favourable results.

Our subsidiaries also played a critical role in improving our profitability, contributing 9% of the overall PAT. CRDB Burundi SA performed particularly well, leveraging stable macros and aggressive sales despite the local challenges in Burundi. The Burundi subsidiary profit grew by 75% from TZS 6.4 billion to TZS 11.2 billion. Equally, we maintained a good asset quality, closing the year with a Non-Performing Loans (NPL) ratio of 4.4%.

The Group's year-on-year growth strengthened on the back of sound business strategies. Our transformation efforts continue to yield good tidings, even as we upscaled our service delivery through our digital channels. In the year, we witnessed growth in the number of customers using our digital channels, with more than 85% of transactions happening through our alternative channels. Strategically, we beefed up our digital banking propositions and improved the customer experience on both our SimBanking mobile app and USSD platforms, to enable our customers to enjoy seamless banking.

Group Profit After Tax

Burundi Profit After Tax



Also, we embarked on a sensitization campaign dubbed Popote Inatiki (loosely translated as 'it ticks everywhere') to drive usage of digital channels including cards; in line with the mitigation guidelines, which discouraged cash transactions. We also upscaled our agency banking (Wakala) business and recruited more agents (currently above 17,031) to further the reach and deepen access. Likewise, through a strategic marketing campaign dubbed "Tupo Mtaani Kwako" (translated to mean 'we are in your neighbourhood'), we reached out to customers to sensitize how to access services using the channel. The two campaigns helped us further our quest to provide financial education to more than 100,000 people, in both urban and rural areas across mainland Tanzania and the island of Zanzibar. We continue to implement initiatives to grow the business while at the same time improving service delivery to our customers.

Growing the business in an unpredictable environment

The economic environment in Tanzania remained sound throughout 2020, although it registered a slowdown as a result of the COVID-19 pandemic. The country maintained single-digit inflation, easing pressure on individual households. There was growth in private sector credit despite the economy also reporting a decline in the broad money supply (M3).

Globally, the COVID-19 pandemic occasioned a contraction of the world economy. There was a significant disruption in the supply chains as countries implemented lockdowns, suspending business activities to contain the virus. The aviation and hospitality industries were most severely affected as international travel declined sharply because of travel restrictions. However, a breakthrough in finding a vaccine announced in the last quarter of the year brought about some last-minute jolt and is likely to stimulate growth in 2021 as countries regain hope of subduing the virus.

For our Group, the government's decision to keep the economy open shielded the business to a large extent as our local customers continued with their business activities. Additionally, the COVID-19 mitigation measures instituted by Bank of Tanzania (BoT) provided the much-needed nudge, stabilising the business in Q2 and Q3. Specifically, the approval of loan restructuring by the regulator helped the Group advance its agenda of supporting customers, whose ability to meet their loan obligations was impaired by the pandemic.

Sector-wise, there was continued consolidation mainly fuelled by regulation compliance as the regulator approved the merger of a community bank with two microfinance institutions. The newly formed entity obtained its license in July 2020.

Similarly, two commercial banks merged in July, creating a tier-2 lender with estimated assets slightly over half a trillion.

On the public affairs front, Burundi held its general election in May, whereas Tanzania did so towards the end of October. Gladly, both elections were peaceful thereby providing relative calm at the stock market as investors regained confidence in the market.

In the year, the World Bank Group upgraded Tanzania's economy to a low middle-income status. Tanzania's Gross National Income (GNI) per capita increased from USD 1,020 in 2018 to USD 1,080 in 2019, which exceeds the 2019 threshold of USD 1,036 for lower-middle-income status. The Country's upgrade is a result of its strong economic performance of over 6% real gross domestic product (GDP) growth on average for the past decade.

Generally, our Group remained resilient, achieving incremental growth in key performance indicators. We were successful in strengthening our fundamentals with strong improvements in incomes. Notably, our operating income before impairment charges increased by 10.3% year on year to TZS 808.7 billion from TZS 733.1 billion recorded in 2019. The growth resulted from 9.7% increase in net interest income, which closed at TZS 580.5 billion.

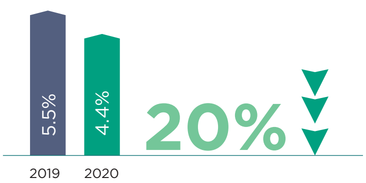
Supporting our customers through a difficult period

In light of the unprecedented challenges brought about by the global health crisis, our Group resolved to support all customers by initiating closer engagements to understand their unique positions and challenges. Working with other stakeholders, our Group devised ways of cushioning severely affected customers, while pursuing opportunities in the unaffected sectors.

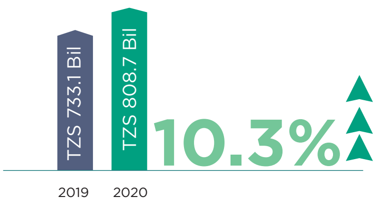
We focused on assessing individual customers, especially in the most affected sectors such as tourism, hotels and restaurants and trade. This helped us implement moratoriums and make tailored concessions that were consistent with the needs of individual customers. To ensure continuity, we adopted a three-point approach in service enhancement service during the crisis period as below:

- Strengthening our ICT infrastructure to accommodate the increased demand for services in the context of reduced human interactions
- Expanding our service offerings through our alternative channels to ensure the on-demand availability of services.
- Adopting flexible working arrangements to ensure our customers received uninterrupted service.

Non-Performing Loans (NPL) ratio



Total Operating Income



Collaborating with stakeholders to mitigate the impact of COVID-19

As part of our continuing effort to deepen our engagements, we actively collaborated with the government and other stakeholders in mitigation efforts. We extended both financial and non-financial support to government agencies responsible for handling the crisis. It is worth noting that our Group contributed more than TZS 300 million towards the fight of the novel coronavirus in Tanzania. I believe that our contribution – alongside that of other good corporate citizens – added considerable value to our country's effort to mitigate the impact of COVID-19.

Securing the Group's longevity by building a sustainable business

The 2020 financial year is the third of our five-year business strategy. The strategy is premised on three key pillars and was incepted as a sustainability approach to deliver long-term growth. Specifically, to:

- Achieve best-in-class productivity and proactive credit management.
- Provide a seamless digital experience and create value to customers, employees and shareholders.
- Improve organisational health and performance.

In 2019, we implemented far-reaching reforms following a health-check exercise which revealed inefficiencies in the business. Specifically, we rolled out a new operating model and structural alignment to strengthen the Group's operational capabilities in preparation for the fast-paced changes in the business environment. I am happy to report that we accelerated the transformations during the Financial Year 2020, building on the strong foundations for suitable performance by creating strong and accountable leadership, ensuring service and operational excellence, and maintaining a motivated and engaged workforce. Some of the major transformations undertaken in 2020 include:

- Transforming the Microfinance Business - Align the business model with Group vision, increase business productivity, and complement the parent resources.
- Aligning the Group operations - Fit for growth - Improving employee productivity and enhancing the overall Enterprise-wide Risk Management (ERM).
- Transforming the Group's ICT function – Recruiting key competencies and equipping staff with necessary skills, acquiring robust infrastructure to increase system availability, adopting scalable architecture (SOA) to foster integrations and improving resilience and security maturity
- Reforming Credit Management – Portfolio diversification and de-risking (Wholesale - Retail), portfolio guarantee through strategic partners, use of predictive analytics and EWS to monitor portfolio daily, recovery via out of court negotiations & own sale drive and strengthening underwriting and collection processes.
- Business Diversification - Focusing on SMEs in different sectors, sustaining agriculture value chain financing, leveraging public infrastructure projects and driving financial inclusion for sustainability.
- Transforming the CRDB Insurance Broker business – Adopting a bancassurance model, optimizing the business and enhancing compliance.

Building strong propositions for our customers

We consider our customer as the most important stakeholder who must be treated responsibly. This is why we continuously evaluate our interactions to ensure our actions are aligned with our sustainability strategy. We succeeded in enhancing service experience to our customers during the year and empowered our staff to attend to all customer needs efficiently and effectively.

A critical development during the year was the launch of instant customer feedback mechanism using QR code. This has enabled us to stay abreast with customer issues and provide timely responses in line with global best practice. We also launched a service initiative dubbed Simplify, Stop, Automate (SSA) to address customer pain points. This has eliminated nearly half of the queries logged through our call centre. We continue to implement integrations that will elevate customer interactions with our systems, leveraging artificial intelligence and design-thinking to differentiate ourselves from the rest of the market.

Fight against COVID-19

TZS 300M

Financing Heart Surgery

TZS 200M

In principle, we revamped our customer value propositions and developed tailored solutions in response to the market's changing needs. One such proposition is a specialized credit facility for the health sector, which resulted from engagement with stakeholders in the healthcare sector in a first-ever virtual health conference dubbed Afya Forum held in May 2020. We also improved the Malkia Account and expanded benefits for women in both employment and entrepreneurship. The above initiatives, alongside a series of consumer education campaigns, fuelled our growth during the year.

Building lasting partnerships

As a Group, we believe that to remain relevant in the constantly evolving business environment, we must engage closely with our stakeholders to gain a better understanding of their concerns and expectations. During the year, we set out to build new relationships, while at the same time maintaining the existing ones responsibly. Notable engagements include reaching out to the elected leaders in Dodoma in November, engagement with contractors, healthcare service providers, farmers in Shinyanga and Small and Medium Enterprises (SMEs) across the country. But the highlight of the year was an engagement with the Revolutionary Government of Zanzibar in late November, where our Group struck an accord to collaborate with the government of the day on the country's development agenda.

Extending a helping hand and engaging beyond business

On the social investment front, we continued to advance our corporate values through our corporate citizenship programs and in line with our sustainable development agenda aspirations. During the year, our Group held two main events in sports starting with the first-ever charity marathon in aid of the Jakaya Kikwete Cardiac Institute (JKCI). The Marathon dubbed CRDB Marathon 2020 brought together more than 5,000 participants and raised over TZS 200 million towards financing heart surgery for infants with congenital heart defects. Later, we hosted a basketball tournament christened CRDB Taifa Cup in the country's capital Dodoma to promote the urban sport among the youth.

In line with our environmental sustainability agenda, we launched a tree-planting campaign dubbed Pendezesha Tanzania (translated as 'Make Tanzania beautiful') in collaboration with the office of the Vice President of the Republic of Tanzania alongside other stakeholders. The initiative targets to plant more than 100,000 trees over the three years. In supporting education, we partnered with the Ministry of Education to sponsor the national science and technology innovation competition - Mashindano ya Kitaifa ya Sayansi, Teknolojia na Ubunifu (MAKISATU). We continue to support social causes that have a lasting impact on the community, in line with our social investment priorities. I invite you to read more about social investment activities for the year available in the later pages of this report.

Investing in our people

Our quest to build a bank of the future continues in earnest and, as such, we have made considerable investments in our people, learning from successful models around the world. I am excited to report that as Group, we have embarked on a transformative journey to build timeless capacity through responsible talent management. During the year, we rolled out robust leadership and talent management programs, in partnership with acclaimed institutions, with a view of creating a pool of next-generation leaders, who will steer the vision of the Group into the future. These initiatives, alongside improved performance and governance systems to enhance employee productivity.

In terms of organizational development, we completed the first round of structural alignment and formalized engagements for interns and temporary staff. We have also strengthened our staff wellness and engagement programs to inspire industry within our workforce.

We are a highly acclaimed Bank

Our initiatives and innovative approaches to providing solutions to everyday problems continue to attract attention locally, regionally and globally. During the year, our Group was recognized by various entities for its outstanding performance and innovation. As a result, we received more than 10 awards, including emerging best Bank in Payment Solutions in Eastern Africa by Global Banking & Finance Awards and, Best SME Bank in the region by International Business Magazine.

These awards are a testimony to our sustained pursuit for excellence and are verdict that our efforts are not in vain. You can view the complete list of awards in our profile section of this annual report. We continue to work with passion to achieve the best-in-class service propositions in our earnest quest to build a bank of the future.

Trees to be planted within 3 years

100,000+

CRDB Marathon participants

5,000+

Looking beyond the horizon

As we begin the penultimate year of our medium-term strategy, we will continue to execute ideas and strategies to deliver sustainability. Our long term aspiration is to build a future-ready bank that will lead the way in financial innovation. Our 2021 Strategy aims to unlock the full potential of the Group by entrenching the efficiency of service and, transforming our sales force. We have adopted a futuristic model which guarantees the longevity of our Group. We plan to leverage technology, talent and opportunities to build a robust proposition for our customers.

As a market leader, we want to lead the way developing solutions that are not only transformative but speak to the real needs of the customer. Key considerations for us in the new year include sustained expansion of our agency banking business, seeing that it is a cost-effective avenue through which the Group can expand its reach to provide access to financial services for underserved communities in rural areas. We will also accelerate automation with the view to reduce manual interventions in our processes. We believe that this will enhance efficiency in our service delivery and, in turn, deliver a superior experience for our customers. We resolve to get closer to our customers so that we can understand their pain points and help them achieve their financial goals. I am confident that today, more than ever before, we are best angled to sustain the good performance, growing from the strong foundation that we have built over the years.

Strategically, we have adopted an agile culture that allows us to seize new opportunities in the shifting business landscape. We will also leverage our improved stakeholder relations to grow the business. Already, some engagements have shown good prospects. I do not doubt that the future is bright.

In my perspective, a key differentiator for Group in 2021 will be our readiness to go beyond and explore opportunities in areas that remain unexploited. Working with our strategic partners, we will continue to play our role in driving financial inclusion as part of our long-term commitment to support economic transformation. We will also seek partnership with fintech companies and Mobile Network Operators (MNOs) so that we expand opportunities in digital payments and money transfer.

To sustain good performance, we will continue to implement strategies that will ensure we achieve operational resilience. Our priority is to attain high levels of efficiency underlined by innovation and optimal productivity. We will also strive to keep a healthy loan book to ensure we safeguard our assets' quality. Primarily, we will closely monitor the portfolio at risk, especially all facilities restructured as a result of COVID-19.

Acknowledgement

I wish to thank the Board of Directors for the steadfast leadership and support that they have provided over the year. We have benefited from the immense knowledge and wisdom, especially on issues that require strategic guidance. I also thank the Management team for driving the vision to enable us to achieve so much. In the same breath, I extend my heartfelt gratitude to all staff, who have displayed admirable commitment and braved the headwinds in the year to deliver a solid finish. More importantly, I heartily thank our customers for giving us a unique opportunity to serve them. I have tonnes of gratitude to you, our shareholders, for trusting us with your investments and for allowing us to work for you. Lastly, I thank our industry regulator, partners and suppliers, all of whom have played a pivotal role in helping our Group stay on course.

Abdulmajid M Nsekela
Group CEO & Managing Director

Transforming for good

Technology and societal transformations are dramatically changing the business environment. Today, more than ever before, consumers are demanding more value from businesses and our customers are not an exception. Digital technology has increased the capacity of consumers to process information and radically altered business landscapes.

Equally, consumer needs are evolving and, businesses, including banks, are innovating for the future. Business enterprises have a new task of demonstrating value to all stakeholders while conducting their business activities in sustainable ways.

As a leading financial services provider, our Group fully understands and appreciates the importance of adapting to change to remain competitive. We believe that changing with the times will make us future-compliant because it allows us to develop and adopt appropriate attitudes and aptitude. Our conviction is that by thinking and acting sustainably, we will deliver excellent customer service and robust financial results, which will install the Bank Group on a steady growth path, long into the future.

GROUP CFO'S STATEMENT

Frederick Nshekanabo
Chief Financial Officer

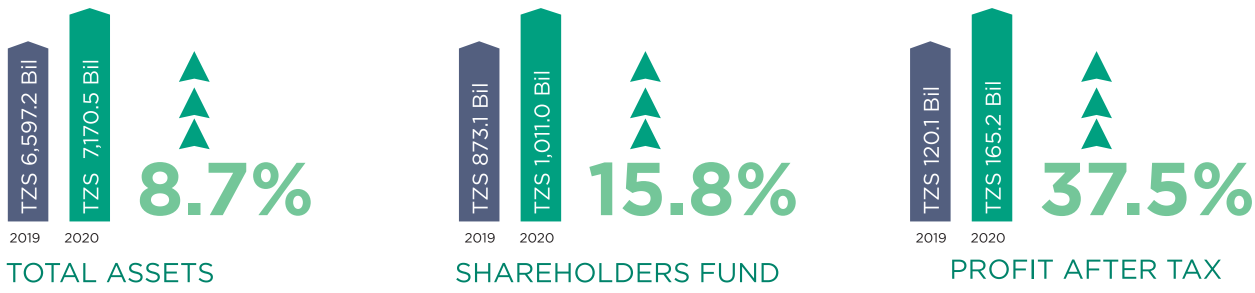
"We continue to closely monitor the facilities considering the COVID-19 impact particularly in the affected sectors to ensure we consistently maintain good asset quality."

Reflecting on 2020, I am persuaded to conclude that it was yet the most challenging year for many businesses, judging from the events and turns that occurred after the outbreak of the COVID-19 pandemic. Nevertheless, the Tanzanian economy remained stable with growth of 4.7% in 2020, and a forecasted rebound of 6.0% in 2021. The growth is largely driven by construction and sustained trading activities stimulated by the Government's decision not to impose a lockdown at the height of the COVID -19 pandemic and; the measures adopted to cushion the economy.

Despite of the challenges experienced during the year, the Group sustained strong business growth and remained resilient across key performance indicators. The Group's profit after tax grew by 37.5% to TZS 165.2 billion, complemented by a strong balance sheet with a 8.7% growth in total assets to TZS 7,170.5 billion. The Group also maintained a prudent asset quality, closing the year with an NPL ratio of 4.4%. Subsidiary businesses contributed a cumulative 9% of the overall Group profit for the year, boosted by the growth in the profit after tax of CRDB Burundi SA, which grew by 75% YoY to TZS 11.2 billion. The notable performance of Burundi subsidiary is attributed to the strong growth in the topline income. On the other hand, CRDB Insurance Broker Company Limited recorded a profit of TZS 3.6 billion, which represents a 143% annual growth driven by an increase in the Gross Written Premiums. Strategically, the Group accelerated innovations in the insurance service and embedded value-added services in the entire offering, which translated into improved uptake leading to increased sales.

Our growth demonstrates results of the successful implementation of our five-year strategy and the strategic interventions made during the crisis period. In line with our transformation agenda, we leveraged on our investment in technology to enhance service delivery of alternative and convenient services, which enabled us to remain close to our customers and support them during the crisis. The Group has achieved significant milestones, the results of which are demonstrated in the financial performance detailed in this report

Performance summary



13.8% **16.3%**
RETURN ON EQUITY

2.6% **3.3%**
RETURN ON ASSETS

64.4% **61.6%**
COST TO INCOME RATIO

Operating income

The net interest income grew by 9.7% to TZS 580.5 billion from TZS 529.1 billion in the previous year. The growth in net interest income was attributed to the Group's strategic focus on lending to sectors that were less impacted by the pandemic coupled with sustained product innovations, which created synergy with the constantly changing customer needs. We also focused on containing our funding cost and grew less-expensive deposits considering the prevailing challenges emanating from the pandemic.

We prioritized customer experience to deliver intuitive and user-friendly digital banking services and expanded our agency banking services, which in turn boosted our fees and commission income. The increase in non-interest income was also due to the increase in loan commitment fees and income realized from Government securities designated as 'available for sale'. However, our FOREX earnings declined by 5% YoY, exacerbated by the disruptions in the global supply chains and tourism. Overall, the Group's total operating income before impairment charges grew by 10.3% YoY to TZS 808.7 billion from TZS 733.1 billion in December 2019.

Asset Quality

During the year, we continued to implement initiatives to maintain a healthy loan book in line with our sustainability strategy. Significant progress has been made in enhancing portfolio quality management. We endeavored to remain close to our customers and supported those who were affected by the pandemic. To safeguard our asset quality, we continued strengthen our underwriting, collection and monitoring processes through automation. Critical interventions during the year included portfolio diversification and de-risking (Wholesale - Retail), use of predictive analytics and Early Warning System (EWS).

The above interventions were made alongside the mitigation measures instituted by Central Bank of Tanzania (Bank of Tanzania) to cushion the banking sector against potential negative impact of the COVID-19 pandemic. The mitigation measures by the regulator included lowering of both the Statutory Minimum Reserve (SMR) and discount rates; as well as providing financial institutions with the flexibility to restructure loans.

The Group's NPL Ratio improved to 4.4% compared to 5.5% reported in December 2019. Provisions coverage ratio stood at 87% at indicating a healthy loan book. This achievement was supported by the Group's strategy to contain migration and management of write-offs in line with regulatory requirements. We continue to closely monitor the facilities considering the COVID-19 impact particularly in the affected sectors to ensure we consistently maintain good asset quality.

Operating Expenses

Our medium-term strategy fully addresses the issue of efficiency understanding that it is integral to our sustainability. During the year under review, we continued to implement initiatives designed to optimize costs to shore up our productivity. The Group's operating expenses grew by 7% to TZS 499.5 billion compared to the 12.3% annual growth recorded in 2019. The deceleration in growth was driven by cost-saving initiatives in new technology investment and office expenses. We are intent on sustaining the efficiency initiatives to further reduce cost and continue to invest in technology and our people to continue delivering improvements in productivity and customer experience.

We continue to focus on process improvement, automation and customer migration to digital channels. The Group's cost efficiency ratio closed at 61.6% compared to 64.4% reported in 2019, indicating sustained improvements.

Strong Balance Sheet

The Group continued to maintain a strong balance sheet as demonstrated by the robust growth in total assets, which went up by 8.7% to TZS 7,170.5 billion. The growth was mainly contributed by loans and advances to customers which grew by 16.3% to TZS 3,929.1 billion, with strong and broad-based growth across a range of products. We continued to diversify our portfolio, our retail segment grew by 20%, mainly driven by growth in consumer lending 24%, and corporate 19%.

The Group maintained sufficient liquidity to support our business growth, with a 4.5% growth in customer deposits to TZS 5,434.6 billion. This resulted from our continued efforts to improve our funding mix of affordable and sticky deposits. Current and Savings deposits (CASA); contributed 81% of the total deposits. Conversely, the Group continued to maintain healthy liquidity position at a ratio of 25.5% which is above the regulatory ratio of 20%; loan to deposit ratio ("LDR") remained prudent at 75%.

Capital Position

In line with our transformation agenda, we continue to focus on prudent capital management; selective growth of portfolio with high-yield and lower Risk-Weighted and de-risking to ensure optimal utilization of capital. I am happy to report that despite the disruptions experienced during the year, the Group remained well-capitalized, and maintained healthy buffers above the minimum regulatory requirements. The Group closed its core capital ratio at 17.8% while total capital at 17.9% above regulatory requirements of 12.5% and 14.5% respectively.

2021 Outlook

Whilst the duration and impact of the pandemic is still unclear, the macroeconomic outlook for 2021 projects slow recoveries in most of the economies. Our Group remains alert to the changes taking place in banking industry, especially in the policy environment and consumer behavior and preferences.

We remain optimistic about the 2021 outlook, although awake to the likely setbacks that may arise from prolonged pandemic impact, especially the apparent pressure on liquidity, slowed credit growth, increased non-performing loans and lower interest rates, which may diminish revenues. Internally, we will focus on improving operational efficiency through continuous process reengineering, centralization and automation. Moreover, we will focus on business growth by increasing penetration into the key economic sectors, optimizing our digital ecosystem and diversifying our portfolios with special focus on SMEs to grow transactions. We will continue to implement our credit reforms especially through automation.

The Group will continue to invest and leverage on ICT, improve information security and modernize digital platforms to drive efficiency, deliver a superior customer experience and enhance our shareholder's value.

We will draw lessons from the pandemic and endeavor to align our strategies, to remain resilient and sustain our performance, post-COVID-19.

Frederick Nshekanabo
Chief Financial Officer

Productivity during the pandemic

Without a doubt, the global health crisis is somehow a catalyst, accelerating certain trends that may have already been in motion before the pandemic and slowing others. As a group, we chose to see an opportunity in this crisis and responded to it by readjusting our priorities while keeping in motion the critical strategic actions to ensure we remain relevant.

In our considered opinion, the pandemic is driving a structural shift in work, workforce, and workplace and we predict a sustained, structural shift at the workplace. As we continue to adjust to the new normal, we have laid out an elaborate plan to improve our workplace environment so that we can deliver consistent results and enhance the experience of our customers.

Fundamentally, we expect an even more sustained shift including a change in consumer behaviour which will continue to inform our transformation. Our investments in ICT and innovations alongside the expansion of our alternative channels provide a vantage position from which our Group will be able to confront the challenges and maintain its market leadership position.

Our Performance

Chagua Ubora

COMMERCIAL REPORT

Dr. Joseph Witts - Chief Commercial Officer

Wading the tides to ensure stability and service delivery

Many things have been said about the COVID-19 pandemic and how the pandemic disrupted businesses throughout 2020. In all honesty, organizations were not prepared for a disruption of such magnitude. Nonetheless, the world has come out stronger, putting up an aggressive fight against the novel coronavirus and restoring hope. It took the people's resilience and timely interventions to navigate the challenges that ensued shortly after the breakout successfully..

For our bank, tapping our innate abilities and swiftly adapting to change made a big difference. We stabilized the business and refocused resources towards helping our customers get back onto their feet during the pandemic. Our engagement strategy was a critical differentiator that targeted individual customers to understand their unique positions and develop tailored solutions to address their problems.

The excellent performance shared in this report results from the strategic interventions initiated to mitigate the impact of the pandemic on our business. Our priority was to ensure the safety of our staff and provide the necessary tools to enable them to render services to our customers. Secondly, we moved to secure our customer touchpoints as a strategic action to protect the health of our customers. We also engaged extensively with various stakeholders to pursue collaborations that augmented the national efforts towards lessening the impact of the pandemic.

We deployed our business continuity plan to ensure continuity of service, allowing maximum flexibility with utmost precaution. This yielded good results by driving our productivity, demonstrated through the good tidings that we share today. Because of the timeous interventions, I am glad to report that our staff served customers effectively and efficiently. This helped to further our quest to make a difference in the lives of our customers. We are greatly indebted to the staff and forever thankful to our customers, who, despite the extraordinary circumstances, continued to have faith in us.

Besides changing the way we work, the pandemic also allowed us to scale our services. Leveraging our technological capabilities, we created consistent with the times, bearing in mind the prevailing needs of our customers. We expanded our service options, providing customers with the flexibility to access banking services reliably and conveniently without visiting our branches in person. In particular, our SimBanking solution provided customers with a convenient alternative, which was consistent with the health guidelines given by the authorities. It suffices to say that our investment in a robust digital infrastructure has enhanced our ability to achieve scalability and improved customer experience.

Looking into the future, we expect to maximize the emerging opportunities, especially in the wake of a new normal. Our strategy is to build onto the current offering and leverage our strengths to deliver a superior experience for our customers and more value for our shareholders. In the long term, we want to orchestrate a more profound transformation that will reflect not only in the lives of our customers and staff but also in the hearts and minds of our benefactors.

Retail Banking

Braving a killer virus to serve our customers

During the tumultuous year that 2020 was, the Bank continued to successfully implement strategic initiatives to enhance products and services for individual customers, saving groups, and micro and medium-sized businesses. Profiting from the Bank's resilience in service, we were able to meet the needs of our customers, providing the much-needed convenience through our nationwide network comprising 240 branch outlets, 550 ATMs, and 17,031 active banking agents. We also expanded our alternative channels, including digital platforms such as Simbanking, Internet Banking, and debit & credit cards. To support customers seeking forex services, the Group launched the country's first foreign exchange ATM in Arusha, providing convenience in currency exchange services.

Our commitment to serving customers was further reinforced by a consumer education campaign launched within the first half of the year to educate customers on the different ways to access services in the wake of restricted movements and interactions. The campaign was christened ***"Popote Inatiki"*** and highlight the other banking options through which customers can transact and access services. The campaign was complemented by Direct Sales Executives (DSEs), whose focus was to recruit new customers, and Agency Banking Business Development Officers (BDOs), who are tasked with boosting sales, transactions and ensuring compliance to regulations for our agent network. Both initiatives have enabled us to make significant gains in terms of business and operations. We were able to open 453,094 new high-quality accounts in 2020, and we have made notable leaps in ensuring agent compliance to existing rules and regulations.

To maintain this momentum in the second half of the year, Bank launched ***"Tupo Mtaani Kwako"***, a nationwide door-to-door sales campaign, and later, "Jipe 5" deposit mobilization drive. While Tupo Mtaani Kwako purposed to spread the word about the Bank's retail offering, Jipe 5 enabled to mobilize sticky deposits from diverse customers.

Driving Inclusive Finance

Our efforts to reach more diverse customers saw us moving further to raise awareness and promote existing and reengineered products. During the year, the Bank renewed its commitment to enabling women to thrive by expanding the Malkia proposition to allow women in business to access affordable finance. The new proposition encompassed revised terms for collateral requirements. Similarly, we made improvements on the Group's Pensioners' offer to enable targeted customers to access advance loans through our Simbanking platform.

Close Engagements with stakeholders

To further respond to the needs of the various sectors, the Bank held targeted forums with multiple sectors to understand the specialized needs and develop solutions that were specific to them. A classic example was the Afya Forum – the country's first-ever stakeholders forum for the healthcare sector. The forum brought together more than 500 stakeholders in the industry and provided insights on financial needs. The Bank also conducted and sponsored Agribusiness forums in Lake, Southern, Highland, and Western zones to reach more customers in the agricultural sector.

> The year 2020 presented unprecedented challenges for our business but we remained resilient and continued to serve our customers driven by desire to sustain our transformation agenda

To improve access to finance for large- and small-scale farmers, we made further steps by signing MOUs with Loan Agro, ETC & Agricom to support agricultural financing.

The renewed sales efforts resulted in the record performance achieved in 2020. Retail deposits grew 3% to a total of TZS 3.8 trillion in December 2020, up from TZS 3.1 trillion in December 2019. On the other hand, the retail loan book grew by 19% YoY, from TZS 2.2 trillion in December 2019 to TZS 2.6 trillion in December 2020.

Significant growth was recorded for most retail lines. MSE loans grew 126% from TZS 33.5 billion in 2019 to TZS 75.9 billion in 2020, while Personal loans grew notably at 24%, from TZS 1.4 trillion in 2019 to TZS 1.8 trillion in 2020. Mortgage loans increased by 19%, from TZS 41.9 billion in 2019 to TZS 49.9 billion in 2020.

The SME book grew by a modest 2%, from TZS 473.3 billion in 2019 to TZS 481.3 billion in 2020; however, we experienced significant development of the SME off-balance sheet portfolio was recorded at TZS 60.3 billion as of December 2020.

In addition to growing the retail loan portfolio, we were able to improve our portfolio quality significantly. As of December 31, 2020, retail banking's NPL stood at 3.0%, down from the 3.5% recorded in December 2019. This reduction of NPL has resulted from improvements in proactive portfolio monitoring, which has resulted from the operationalization of portfolio monitoring functions for both business and consumer loans.

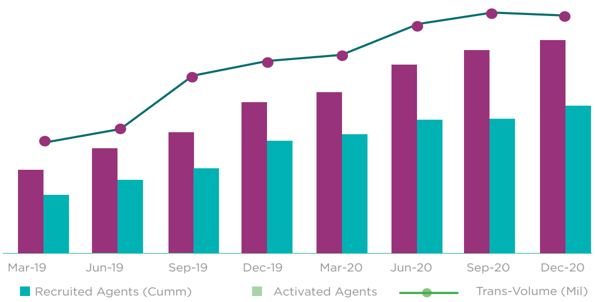
The Bank's alternative channels demonstrate impressive growth attributed to our continuous improvement of the services and continued education to our customers on usage.

To boost digital channel usage, we implemented various initiatives such as Chagua Tembocard Visa and Chanja, Lipa, Sepa promotions. These have enabled the Group to increase card transaction volumes and value and raise awareness of the fast-growing card market in Tanzania.

Over the year, we also maintained good performance for other alternative banking channels. We recorded 29.8 million Simbanking transactions and 1.79 million internet banking transactions in 2020.

To improve engagement with CRDB Wakala, the Bank conducted nationwide Wakala forums to train agents on various aspects of the business and, in turn, promote sales & compliance. Following the implementation of the forums, we have observed a notable improvement in agent transactions and overall adherence to rules and regulations.

Agents Activity & Transactions Trend



Our performance in 2020 has enabled us to set an excellent foundation to achieve more in 2021. We will continue to adhere to best practices to improve our customers' experience with CRDB's products and services.

Corporate Banking

Driving growth in the corporate sector

As we expand outreach to more diverse customers, our priority will remain at ensuring that our products and services are affordable and accessible to many and maintain the quality of our existing and new portfolio.

CRDB Bank considers economic growth as a collective responsibility of both the private and public sectors. Our business endeavors to support the country's economic transformation by providing efficient financial services to accelerate growth. During the 2020 financial year, the Group focused on delivering a superior experience for corporate customers through value chain optimization and extending support towards the government industrialization drive and supporting and infrastructure projects.

To achieve versatility and align the business fit for growth, the Bank focused on improving lending turnaround time, business realignment, developing structured and solution-oriented products to support stakeholders of government projects, particularly contractors and sub-contractors. Leveraging its enhanced trade and transactional banking capability, we also expanded our scope into financing Oil Marketing Companies (OMCs) through structured trade products and cash management.

To demonstrate our commitment to support flagship infrastructure projects, we increased participation through direct and indirect financing to projects such as Nyerere Hydroelectric Power, Standard Gauge Railway (Lot-1 and Lot-2), and Busisi Bridge. Additionally, we conducted targeted stakeholder engagements to create awareness on the existing and new credit products/solutions with customized features, including Purchase Order Financing (POF), Invoice Discounting (ID), Asset Finance, and Guarantees (Bid Bond, Advance and Performance Guarantees). The solutions targeted the public sector value chain to address capital challenges, especially for SMEs to accelerate and sustain growth.

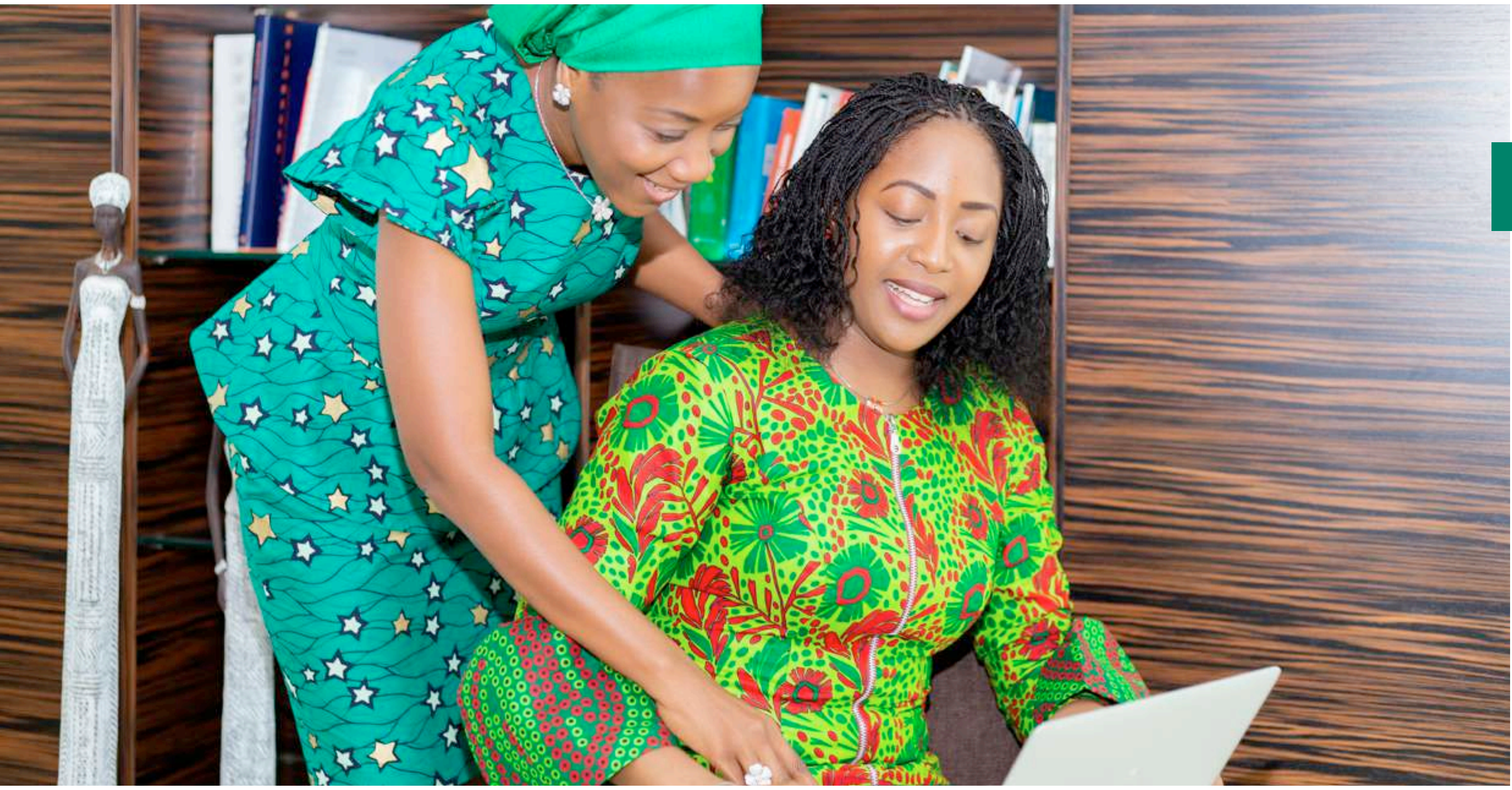
Customer experience

Our focus on customer experience resulted in a positive and improved performance during the year. Specifically, we improved our turnaround time in key customer processes such as loan processing, issuance of structured trade facilities, and customized cash management solutions (e-CIT).

In line with our service enhancement priorities, we also took an active role in driving engagements with government and private sector stakeholders through forums which provided a unique opportunity for first-hand customer feedback. We continue to build a customer-centric culture within the organization and remain committed to delivering sustained transformation.

Digital transformation

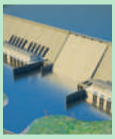
In line with the Group's digital transformation strategy, we continued to enhance our digital banking solutions by cross-selling our digital cash management solutions including internet banking, Xponent, Omni Channel. We focused on onboarding customers to the platforms and integrating the bank's systems with other customer systems. We also commenced integration with the Government's Mfumo was Ulipaji Serikalini (MUSE) system to provide convenience to our customers, especially government institutions.



SUPPORTING TANZANIA'S TRANSFORMATION

We are actively involved in financing infrastructure projects in the country. We have a conviction to support the country's economic development plans in as far as building a robust infrastructural capacity that will deliver our country's development aspirations.

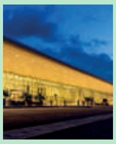
Major Transactions and Deals



NYERERE HYDRO POWER PROJECT

The fourth-largest dam in the world. Will inject 2,113 MW of electricity to the Tanzania station in the region and 60th National grid and power industrial growth.

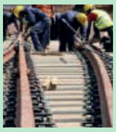
USD 2.95 Billion



EXPANSION OF JNIA TERMINAL 3

Construction of the main terminal building – Will improve airport capacity to handle passengers from the current 2.5 million to 6 million. Old terminal was operating beyond capacity of 2.5 million.

USD 314 Million



STANDARD GAUGE RAILWAY

A railway system, under construction, linking the country to the neighbouring countries of Rwanda and Uganda, and through these two, to Burundi and the Democratic Republic of the Congo.

USD 2.5 Billion

Outlook for 2021 and Beyond

Despite the widespread challenges presented by the COVID-19 pandemic, the Group made tremendous gains, registering a much-improved performance for the year 2020 with set targets being met across all indicators. We remain committed to providing a consistent and superior experience to our customers and building a sustainable business in line with the group's growth strategy.

Going into 2021, we will embed the business in all our client's operations and supply chains to maximize the relevance of our network footprint, agencies, and product suite. We have a strategy to diversify and expand our client base, particularly in the sectors with a lower market share.

We will also expand value propositions through structured products to match customer's needs while offering competitive prices. Specifically, we will focus on developing our trade and transactional services to grow non-funded incomes through differentiated structured products and solutions that differentiate the Group from other players in financial services. We will also continue to control expenses in support of a lower cost to income ratio.

Our commitment is to build a robust business while maintaining a sound risk and control environment in our operations and our great people's support to fulfill our purpose and create value for our shareholders.

Despite the disruptions faced in 2020, the Group continued to implement wealth creation strategies to provide sustainable value to customers. During the year under review, the Group's treasury business delivered solid and stable earnings despite the challenging business environment occasioned by the COVID-19 pandemic.

The pandemic dealt significant disruptions to the financial services sector, with the impact on the supply and demand side jolting the financial markets to a great extent. Unfortunately, by the time the pandemic reached a peak point, the global economy had already shown signs of a slowdown.

Notwithstanding the disruptions, the Bank recorded impressive growth in all major lines of business, generating a compounded income of TZS 238 billion, which is an increase of 9.7% compared to TZS 217 billion posted in 2019. Interest income from trading in government securities was the biggest driver of income growth for the Group, even as the focus was maintained on ensuring consistent service availability for all stakeholders.

Market dynamics changed due to the disruptions caused by the outbreak of COVID-19. The changes were far-reaching and extended to the management of daily cash flow and liquidity within the Bank Group and ensuring the availability of foreign currency to support customers and business operations.

Outlook for 2021 and Beyond

Going into 2021, the Group will focus on creating more value for customers by innovating value-adding solutions and services to simplify their banking experience. Development of new products, access to new markets, and digitization of treasury processes are some of the activities lined up for the year ahead.

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

Service Experience

Optimizing operational performance while building brand loyalty & credibility

Customer service is at the core of our business, and as a Group, we believe that achieving excellence in this area requires careful evaluation, planning, and execution. Over the past few years, CRDB Bank Group has continually invested in initiatives designed to deliver a superior experience in accessing and using our services. We understand that good customer service not only has a direct impact on our top and bottom lines but also builds our brand, reputation, and credibility.

The challenges presented by the COVID-19 pandemic in 2020 served to accelerate our service transformation agenda through innovation and sustained investments. Our priority was to ensure the accessibility and reliability of service, especially during the pandemic. To achieve this, we rolled out various initiatives designed to enable our customers to obtain a superior experience, especially during the crisis period.

To best keep track of customer sentiments, we implemented a first-in-the-market Digital Customer Feedback Survey tool using a quick reader code (QR Code). The feedback tool has proven to be simple, specific, and engaging with real-time feedback, which has increased our efficiency in acting on customer issues. Since its inception, Group customer engagements have grown remarkably, registering at least 13% month-on-month growth. As a result, more than 1,245 customers have interacted with the Group, favorably rating their experience and pushing the Net Promoter Scores (NPS) from 39% to 48%.

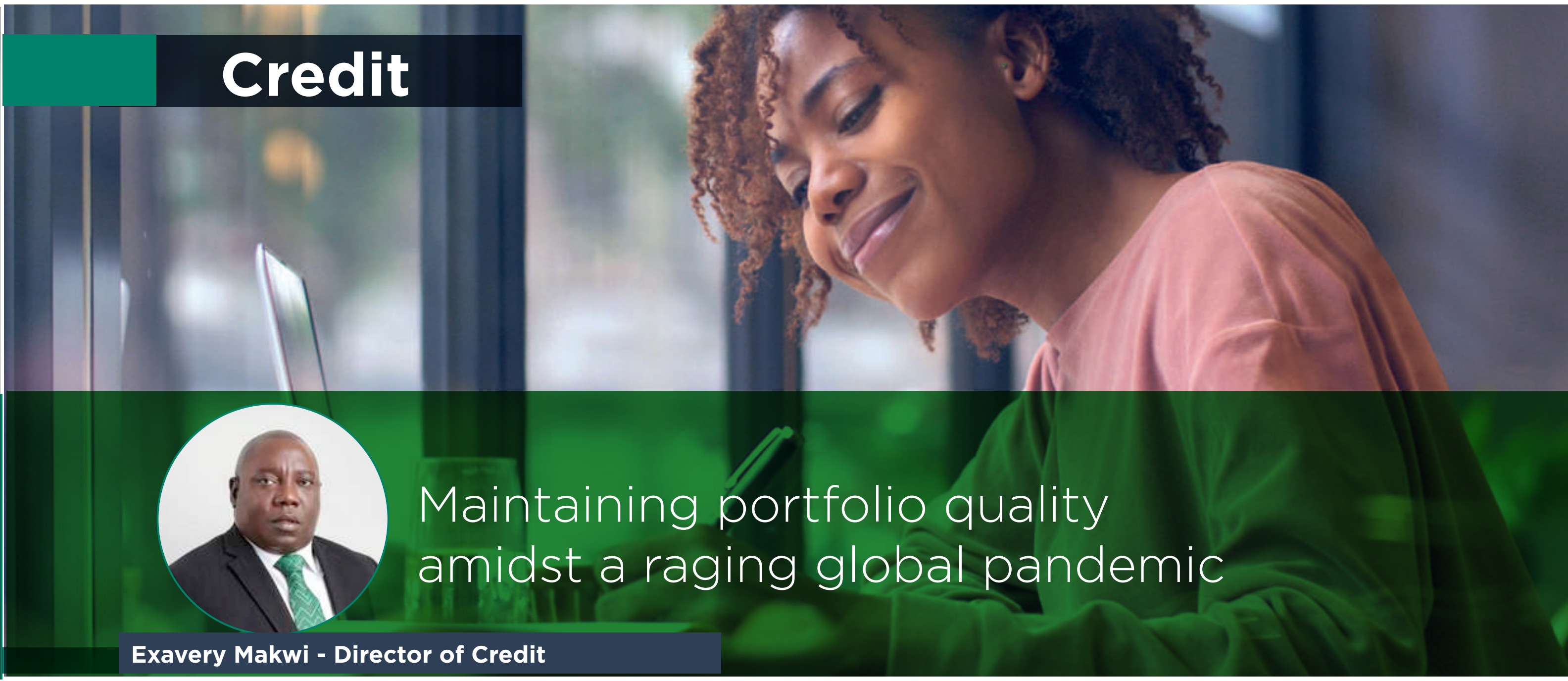
Insights from the tool continue to support the Group's efforts to map customer journeys, identify gaps in the processes, measure & build customer loyalty to the brand. It is worth noting that the tool has transformed the Bank's ability to drive regular engagements, thereby creating enhanced experiences.

To address specific customer pain points, we embarked on an internal Service Initiative to address bottlenecks to the customer journey and create a great customer experience on our products and services. The initiative dubbed "SSA" (Simplify, Stop and Automate) Initiative focuses on eliminating customer pain points through reviewing and improving processes by using the approach of Simplifying (making the process easier for our customers), Stopping (eliminating an unnecessary process), or Automating (digitalizing). By the end of 2020, more than a dozen changes were implemented, enabling the Group to eliminate 39% of recurrent customer issues.

To ensure a holistic transformation of the Group's service proposition, we revamped the Call Centre System and integrated new applications with software and system upgrades. The changes translated into improvements in service delivery including, better system stability, high efficiency, and enhanced team productivity.

The system transformation, alongside specialized training, has empowered our call center agents to leverage interactions with customers to deliver effective and personalized engagements. We currently have a first-call-resolution ability to handle customer queries which will drive customer satisfaction.

Credit



Maintaining portfolio quality amidst a raging global pandemic

Exavery Makwi - Director of Credit

Bank's Credit portfolio

YoY growth

TZS 527 Billion

Non Perfoming Loan ratio

4.3% from 5.5%

Performance highlights

CRDB Bank emerged stronger in 2020, successfully navigating the challenges presented by the global health crisis. Supported by proactive strategies and strong credit management approaches, the Bank achieved significant gains, building on the successes of the preceding year.

During the year, the Bank's credit portfolio registered a net growth of TZS 527 billion year on year from TZS 3,325.6 billion in December 2019. The Bank maintained a relatively stable portfolio mix of corporate and retail loans, translating to a 4:6 (37%:63%) in ratio respectively as of the end of December 2020.

Notably, there was a general improvement in credit portfolio performance in 2020 compared to 2019 as evidenced by a decrease in non-performing loan (NPL) ratio to 4.3% in December 2020, compared to 5.5% recorded in December 2019. The Bank achieved this by implementing active portfolio monitoring strategies through containment of migration, automatic identification of early warning signals and; taking swift corrective actions. Similarly, there was considerable focus on the strategic growth of portfolio with higher yield but lower credit risk such as consumer loans, activation of a de-risking strategy, timely restructuring of credit facilities to align with the anticipated cashflows and; writing-off accounts in line with central bank guidelines.

Supporting customers during a difficult period

Despite COVID-19 Pandemic, credit portfolio performance was relatively stable throughout the year, albeit with a considerable slowdown in some service sectors, especially hospitality (hotels and restaurants) and tourism. Following the temporary closure of schools, the education sector also experienced disruptions exhibiting a sudden plunge, even as the transport industry suffered a blowback, especially with a sharp decline in exports.

In response to the mitigation guidelines provided by the Bank of Tanzania, the Bank took pro-active measures to engage customers in timely and restructured facilities, especially for customers whose repayment abilities had been impaired by the pandemic.

Likewise, the Bank manages its credit risk by ensuring adeqate ECL Coverage Ratio of its NPLs which increased to 82% in December 2020 from 79% in December 2019, commensurate to the portfolio affected by the COVID-19 Pandemic.

Despite COVID-19 pandemic, credit portfolio performance was relatively stable throughout the year, albeit with a considerable slowdown in some service sectors, especially hospitality (hotels and restaurants), aviation and tourism.

Strengthening credit recoveries

The Bank's efforts to sustain a quality portfolio through recoveries on non-performing facilities continued in earnest as part of the holistic transformation of credit management. During the year, the Bank made remarkable recoveries amounting to TZS 12,800 million from written-off accounts, which was an increase of 95% compared to TZS 6,552 million achieved in 2019. The significant growth was attributed to the deployment of effective recovery measures including receivership, own-sale engagements, out-of-court settlements, self-payments and auctions, depending on the nature of the credit facility and expected cash flows of a customer.

Streamlining credit management

The gains made in achieving a quality portfolio did not occur in a vacuum. Throughout the year, the Group focused on sustaining credit reforms, which is key to the sustainability agenda. We made comprehensive improvements to the processes of managing collection from delinquency and Charge-offs portfolio and enhanced the E-collect system for collection and monitoring. The improvements were extended to cover all channels including SimBanking services, CRDB Agents to optimize collections from written-off accounts.

Additionally, we made modified numerous processes in the credit lifecycle, resulting in improved turnaround time in processing credit applications, timely identification for delinquent accounts and; taken appropriate actions to ensure timely recoveries. Conversely, we improved the Bank's compliance rate of laws and regulations and aligned with best practices of the entire credit lifecycle. This included a review of existing credit processes to establish areas that needed modification and ensure an improved credit portfolio.

To achieve holistic transformation, the Group implemented capacity building initiatives for stakeholders credit lifecycle through conducting training, seminars and facilitating online learning platforms to enrich awareness for healthier credit management. We see this as a sustainable way of building a sustainable and efficient credit ecosystem.

Looking ahead

The Group continues to monitor closely credit facilities of accounts whose cashflows have been impacted directly or indirectly by COVID-19 Pandemic.

The exercise will also consider modification of repayment terms through granting or extending moratorium period of either principal only or principal and interest after thorough review of their cash flows and market trends.

Likewise, we will press on with strategic lending for sectors impacted by the COVID-19 pandemic, as part of our strategy to support the country's economic recovery efforts. Strategically, we will accelerate the automation of credit management processes such as credit appraisal for SME and MSE to lessen the turnaround time and aggressively grow the retail portfolio in 2021.

Remaking customer experience during the pandemic

In times of adversity such as the COVID-19 pandemic, banks are seldom seen as a part of the solution. In most cases, Bank's would be viewed as part of the problem.

The global health crisis presented banks with a unique opportunity to lead from the front. Banks were seen to be central to the solution, considering the limitations that the pandemic brought in terms of human interactions.

Our Group chose to play an active role in slowing the spread of COVID-19 by helping customers make better use of existing digital and remote channels. We did this by building new experiences and helped our to manage debt, adjust budgets, and cope with the hard times.

For our Group, a superior customer experience means clarity and transparency, support for digital tools with which many customers are still unfamiliar, and new products and services for customers in distress.

SUBSIDIARY PERFORMANCE

CRDB Bank Burundi

The year 2020 was the third year of implementing the second five-year business strategy of the Bank (2018-2022) whose focus was to expand our outreach using cost effective delivery channels in Burundi.

The Bank made profit before tax of TZS 12.1 billion compared to TZS 6.7 billion recorded in 2019 recording 78.9% growth. During the year, the Bank provided for TZS 0.8 billion for tax hence recording net profit of TZS 11.2 billion, compared to TZS 6.4 billion recorded in 2019, which is 75% growth.

Interest income increased from TZS 23.9 billion recorded in 2019 to TZS 34 billion as at 31 December 2020 which is equivalent to 42.1% growth. Net fees and commission income decreased slightly from TZS 3.7 billion in 2019 to TZS 3.6 billion.

Staff and administrative expenses increased from TZS 11.6 billion recorded in 2019 to TZS 12.1 billion as at 31 December 2020 which is 4.4% growth.

Assets

Total assets increased from TZS 258.2 billion in 2019 to TZS 353.3 in 2020 which is a 36.9% annual growth. The Bank closed 2020 with adequate capital, liquidity and risk foundations well placed to meet the opportunities and challenges that lie in 2021 and ahead.

Deposits

Total deposits mobilized increased from TZS 133.4 billion in 2019 to TZS 200.5 billion as at 31 December 2020, which is a 50.3% growth.

Lending

The credit portfolio increased from TZS 95.3 billion as at 31 December 2019 to TZS 155.4 billion as at 31 December 2020 which is a 50.3% growth. The subsidary maintained a quality portfolio with an NPL ratio of below 2% throughout the year.

The shareholder's equity increased from TZS 31.3 billion in 2019 to TZS 41.7 billion in December 2020 recording an annual growth of 33.2%. The Return on Equity improved from 14.8% in 2019 to 26.9% in 2020. The Core Capital Ratio slightly declined from 30.3% to 27.9% (regulatory 12.5%) while the Total Capital Ratio slightly declined from 30.7% in 2019 to 28.4% in 2020 (regulatory 14.5%).

Economic operating environment

Burundi is estimated to have an economic growth of 3.7% in 2020, a slight decline from 4.1% in 2019. Annual inflation increased from 4.9% in 2019 to 8 % in 2020. Current Account Deficit was 10.5% of GDP in December 2019 which is the most current available report improving from 11.2% in the previous year.

The exchange rate USD/BIF continued to depreciate in 2020 by moving to USD/BIF 1,946.4, a depreciation of 3.4% compared to 2019.

Despite challenges, the banking sector remained well capitalized according to Central Bank of Burundi report. The lack of adequate foreign currencies to support international trade following donor support freezing since the crisis of 2015 had affected performance of the sector.

About our Burundi subsidiary

CRDB BANK Burundi S.A marked it's 8th anniversary in November 2020. The Bank was established in 2012 as a wholly-owned subsidiary of CRDB Bank Plc.

Driven by a relentless desire to empower people, CRDB Bank Burundi SA continues to expand its footprint within the country working closely with customers from all walks of life and segments of the economy.

We provide tailored solutions to our wide-ranging customers to enable them meet their financial needs. Our delivery is based on innovation and we go out of our way to listen and understand those needs.

With the new regime in place there are hopes that the situation will improve in future. The Country had peaceful general elections in 2020 projecting a positive international relations and economic growth.

Burundi is amongst the countries which have not been intensively affected by the COVID-19 pandemic. The Government has put various measures to contain the effects of the pandemic including but not limited to temporary closure of land and water borders. Mandatory quarantine has been implemented for all passengers arriving through the Melchior Ndadaye International Airport, Bujumbura.

United Nations' Sustainable Development Goals (SDG's)

In Burundi, our operating model support the UN's Sustainable Development Goals (SDG's). The Bank supports United Nations efforts to reduce poverty and hunger, promote gender parity through our financing operating model, grants and tailored products.
Since 2014, the bank has put in place a micro group loan product called Birashoboka (It's possible) designed to support vulnerable population to improve their economies and alleviate poverty. The loans provided are unsecured, provided in cycles and accompanied with training on records keeping, savings promotion, etc.

The bank also promotes gender parity through tailored saving plan product to women only (Mwamikazi). The savings through Mwamikazi accounts allow the account holder to be eligible to any types of loan via its coverage.

Finally, the SDG can't be achieved without among others hydropower projects financing. The Bank has also financed a hydropower project through a direct loan to government of Burundi. It is expected that the Hydropower will assist the country to increase its electricity production capacity, a requirement towards sustainable development plan when it is completed.

On the other hand, the Bank provides sponsorship through our CSR agenda to vulnerable people every year. In 2020 support was provided to the renovation of Kamenge market, school materials for children who suffered the floods in Gatumba among others.

CRDB Insurance Broker

Growing the Insurance business

CIB continued to be one of the leading insurance brokerage companies during the year under review. In 2020, CIB recorded a profit after tax of TZS 3.6 billion (2019: TZS 1.4 billion) an increase of 143% compared to previous year.

The increase in profitability is mainly attributed to increase in net commission income earned of TZS 8.2 billion being 30% increase from TZS 6.3 billion in 2019. The growth was due the 27% growth in premium underwriting to TZS 56.3 billion (2019: TZS 44.2 billion) resulting from the acquisition of new clients and the retention of the existing portfolios.

Other operating income increase by 71% from TZS 1.4 billion in 2019 to TZS 2.4 billion in 2020. The growth was due to interest earned from liquid investment and release of Administrative Fund to Other Income. Implementation of cost containment strategy and efficiency which resulted to 2% decrease in operating expense to TZS 4.2 billion (2019: TZS 4.3 billion)

The company total assets grew by a massive 63% to TZS 8.0 billion in 2020 from TZS 4.9 billion in 2019. Shareholders' equity recorded an increase of 73% to TZS 7.1 billion from TZS 4.1 billion in 2019.

Return On Assets (ROA) has increased from 44% in 2019 to 65% in 2020. This is due to optimal utilization of the company assets to generate more revenue. Cost to Income Ratio has decreased from 67% in 2019 to 45% in 2020. This has been due to cost containment strategies deployed throughout the year.

Borrowing

During the year under review, the subsidiary did not borrow from any financial institution or any other third party to meet its day-to-day liquidity management and funding needs.

The financial performance of the Company is summarized in key performance indicators outlined below:

Key Performance Indicator	Definition and Formula	2020	2019
Return on Equity	(Net profit/Total equity) 100%	**73%**	53%
Return on Assets	(Profit Before Tax/Total assets) 100%	**65%**	44%
Cost to Income Ratio	Total cost (Excluding Commission Expense and impairment charge)/Total income (Excluding Commission Expense) 100%	**45%**	67%
Earnings per share	Profit attributable to equity shareholders/number of ordinary shares in issue.	**TZS 36,166**	TZS 14,937
Liquidity ratio	Current assets/current liabilities	**9:1**	5:1
Commission expense ratio	commission expense/gross commission income 100	**17%**	21%
Asset turn over	Gross commission /Average Asset	**1.3**	1.3
Debtors ratio	Total debtors/Gross income	**7%**	16%

About our Insurance Subsidiary

CRDB Insurance Broker Ltd (CIB) is a an insurance services subsidiary of CRDB Bank Plc with a core purpose of providing a range of insurance services to CRDB Bank customers and other external clients.

Guided by an ambition to grow and, encouraged by the expansion of the insurance market in Tanzania, CIB continues to expand services to reach more customers and deliver a unique insurance service experience.

Serious prejudicial matters

In the opinion of the Directors, there are no serious prejudicial matters that can affect the Company.

Solvency

In the opinion of the Directors, there are no severe prejudicial matters that can affect the Company.

Change in regulations

In 2019 under section 27 (2), Tanzania Insurance Regulation Authority (TIRA) passed the Insurance regulations (Bancassurance regulation) to allow BankS to introduce BanCassurance agency. After the regulation, TIRA issued a circular; prohibiting banks owning a brokerage from engaging in insurance brokerage services. The circular instructed all Banks to comply with the regulation by March 15, 2021. CRDB Insurance Broker Limited, being a subsidiary of CRDB Bank Plc, is thence affected by the changes.

Future development plans

The year 2021 will be the year of transition for CRDB Insurance Broker following the regulations. The Board of Directors has directed CRDB insurance broker Management to work with the Procurement team and appoint a consultant firm to conduct a feasibility study to find whether its business viable to establish a life insurance company.

Preparing for transition

Ahead of the March 15, 2021 compliance deadline, the Subsidiary will continue with Brokerage activities until the last day of February 2021. Bancassurance operations will commence from the 1 st of March 2021 under the Directorate of Retail Banking.

However, the CRDB Insurance Broker will continue to service the existing portfolio up to its expiration. The dispensation to service the current portfolio has been granted by the commissioner for insurance (Tanzania Insurance Regulatory Authority). The dispensation approval will help CRDB Insurance Broker to service existing portfolio entailing customers whose covers do not fall within the scope of Bancassurance selected insurer panel.

The transformation of CRDB Insurance broker to a proposed life insurance company or Liquidation of CRDB insurance broker (winding up of activities/ Liquidation process) will commence in the first quarter of 2022.

OUR IMPACT DASHBOARD

As a financial services provider we are deeply connected and committed to the environment we operate in and the societies we serve. Our ability to deliver value is dependent on our relationships and the contributions and activities of our stakeholders. We engage in dialogue with our stakeholders to understand their needs and seek to meet their expectations to create value for them and for the CRDB group:

CRDB Bank Marathon 2020

At CRDB Bank, we have made it our business to create an impact in the society through our actions and ways of working. We strongly believe that, true success for the Bank is only possible if the community around is also successful. With greater strides that our nation is taking on improving key social sectors, there are still groups of people who cannot afford accessing the needed medical care. In light of this, the Bank formed the CRDB Bank Marathon to join hands with the government, other likeminded organizations and individuals to alleviate this problem while saving lives.

- CRDB Bank Marathon is a purely charity led marathon that aims at providing support to the needy and underprivileged.
- In 2020 the Marathon had more than 4000 individual participants and 15 private and public institutions as partners.
- The peak of the marathon took place in Dar es Salaam where the then Vice President and now the President of the URT H.E. Samia S. Hassan together with the former President H.E Dr. Jakaya Kikwete were among the key guests that participated in this historic moment.
- The proceeds of the marathon (TZS 200Mil) were donated to the Jakaya Kikwete Cardiac Institute to fund the surgeries of 100 underprivileged children with congenital cardiac problems.

Helping students focus on their studies

University students often face a myriad of challenges when the join the learning institutions at the beginning of each semester. One of the challenges they face is lack of money. Because a majority rely on government sponsorship – what is usually called Boom. Each year, thousands face difficulties in settling in for their studies as they await disbursements for the Boom. Delays in receiving it often disrupts their learning leading some to resort to shylocks .

Our Boom Advance solutions provides a convenient way for students to borrow money against their allotted Higher Education Loans, form the higher Education Loans Board

Uplifting Microentrepreneurs

Microentrepreneurs from an integral part of the supply chain ecosystem. Many of them are however unable to sustain their businesses due to capital challenges. Balancing between their daily needs and buying additional stock to grow their business is often a delicate endeavour. As a result, majority of them tend to eat into their capital and disrupt their business cycles.

Our Machinga Loan is specially designed to solve the capital challenges of this group. It is a simple short-term loan accessible via mobile banking. Machinga loan targets to provide short-term capital to microentrepreneurs to allow them the flexibility to continue with their business using their daily wares as guarantees against the borrowed amount.

Empowering women through affordable financing

In most societies, women are sidelined in many economic activities, yet they bear the biggest responsibility in terms of production. Majority have no access to financial services and are often excluded from the financial ecosystem.

Understanding the challenges that women face in their quest to gain economic independence, we expanded our proposition for the gender with the aim of empowering women to achieve their financial goals in business and employment.

Malkia Account offers flexibility alongside preferential benefits that are designed to complement their individual efforts in achieving financial freedom.

Joining the fight against coronavirus

The global health crisis presented unique challenges for our Group. But, despite the challenges, we joined hands with other stakeholders to fight the coronavirus pandemic, understanding that the survival of our clients is integral to our sustainability as a business.

Supporting customers' recovery from the pandemic

The COVID-19 pandemic affected millions of people around the world and our customers were not an exception. The disruption in the global supply chains, coupled with changes in consumer behavior and priorities had a significant impact on many of our customers in many a cases occasioning losses.

We took it upon ourselves, working in consultation with other stakeholders to develop solutions that would provide relief to our customers, especially in the most affected sectors. We implemented loan restructuring and provided moratoriums to more than 100 enterprises to ensure their continuity.

OPERATIONS REPORT

Bruce Mwile - Chief Operations Officer

> The dynamics of running a successful enterprise changed a great deal in 2020 as corporations around the world transformed to adapt to the drastic changes and the shifting business landscape.

Like many other organizations, financial institutions had to adopt new models of business with digital transformation underlining most of the investment decisions, especially in light of the COVID-19 crisis. These changes, alongside the desire to grow, are what defined the year 2020 for CRDB Bank Group. We focused on aligning our operations with the changing needs in the market, while at the same time building a business model that supports the Group's growth ambition.

In this report, I will provide a detailed perspective of the events of 2020 and share insights on how the Group navigated the challenges to sustain operations and deliver a robust financial performance. The report will also highlight initiatives undertaken by the Group to achieve high efficiency and, provide a glimpse into the Group's business continuity strategies, banking operations, technology enhancements and project management.

Strengthening Group Operations during a pandemic

The impact of COVID-19 on business operations cannot be understated. In the absence of robust business continuity plans, many companies faced enormous challenges with some opting to close shop altogether. Thanks to our robust business continuity strategy, our Group successfully navigated the tough times, tapping into the various strategies that ensured the resilience of both the systems and people. I am happy to report that during the year under review, we were able to test our business resilience capabilities and plans in ways that could not have been possible.

Achieving technology Resilience

Technology plays a crucial role in simplifying lives. Our Group remains committed to investing in the right technologies that will not only transform how we serve our customers, but also deliver a superior experience.

During the year under review, the Group made significant progress in integrating new technologies and expanding services through digital avenues. The efforts culminated in the expansion of our alternative channels, which continue to transform the way customers access banking services.

There were deliberate investments in ICT infrastructure to support operations through automation. This resulted in effective operations and increased productivity in line with the Bank's sustainability strategy. A majority of the investments were aimed at bolstering technological capabilities to provide more capacity for business growth, stabilization and flexibility. Key achievements in ICT during the year included improvements in Service performance, availability and reliability.

In achieving technology resilience, the Group installed and commissioned a tier 4 – ready primary data centre, commissioned a world-class disaster recovery data centre, and deployed new high capacity and efficient servers. Additionally, all our branches were installed with fibre optic connectivity alongside 4G/LTE links, replacing the old VSAT technology.

To ensure stability and availability of the systems the Group implemented 24 hours' backup power sources for all branches, successfully tested and operated Core Banking System from a disaster recovery site and rolled out IT service management (ITSM) and Systems Monitoring solution.

In line with the Group's aspiration to improve experiences, we accelerated our digital transformation journey and adopted solutions designed to create efficiency for our staff including a world-class email system and a robust reporting tool – OBIEE. We also introduced Zonal ICT officers, to provide the most efficient and quick support to branches.

Our quest to strengthen customer information protection also yielded results with the Implementation of a multi-factor authentication solution. We also validated and certified our security protocols with global security standards – ISO27001 and PCI-DSS.

Going into the future our focus is to accelerate business processes automation, improve efficiencies, through new systems implementation and enhancement of existing systems. We will also endeavour to enhance the visibility of ICT issues, through the deployment of robust systems monitoring tools to discover more ICT pain-points for improved customer service. Similarly, we will upscale our cybersecurity capabilities by implementing various security solutions and building the capacity of teams. In the long term, we will adopt a Service Oriented Architecture (SOA) by implementing a new Enterprise Service Bus (ESB) Systems. We continue to engage internally even as we readjust our human resource capacity to cater to the changing enterprise needs.

Aligning business operations to deliver results in a shifting business environment

Learning from the unprecedented events of 2020, the Group created mechanisms to enable its people to embrace disruptions and strive to enhance business continuity agenda to ensure flexibility and convenience in serving customers. A key intervention during the year was the deliberate investment in capacity building for staff to maintain resilience in times of adversity and; emphasis on controls and compliance as a culture to mitigate identified and foreseeable risks.

Amidst the Covid-19 pandemic, the Bank achieved critical milestones and delivered impressive results by embracing the disruption and forging new working ways. We aligned departmental structures and adopted efficient models through process re-engineering. We also automated integral services such as cheques processing; government payments and fund transfers. The improvements translated into enhanced operational efficiency, which led to the re-allocation of some staff to customer-facing roles to improve service delivery to customers.

Going into 2021, we expect that changes in regulatory and policy environments may have an impact on our operations. I have in mind the introduction of enhanced electronic payment systems such as National Switch (Tanzania Payment System) and TISS VPN settlement, which might disrupt the way we process payments and reduce the transaction charges as well cost.

We will continue engaging government stakeholders and the regulators as well as other stakeholders to ensure we anticipate and prepare for any fundamental changes. We remain true to our commitment to developing flexible systems and processes for efficient alignment with the changing business environment.

Driving value through efficient project management

Building on the gains made through the year, we accelerated the adoption of agile project management practices to fully embrace disruptions.

This entailed review of project management procedures to do away with any non-value adding activities and increased flexibility to project changes. Specifically, we reduced the number of project meetings by combining meetings for related projects. This was meant to increase efficiency and allocate more time to the actual implementation of project tasks. We relied more on virtual collaboration as a way of mitigating the impact of travel restrictions and reduced physical presence of staff in offices

Considering the significant impact of COVID-19 during 2020, we don't envisage any similar or more severe disruptions this year. To a certain extent, we expect to see a conflict between the new and conventional ways of working which would be resolved by looking at the context and determine which model would be more effective. However, we will continue to promote new ways of working as they have proven to be more efficient and resilient.

With the pandemic forecasted to last till November 2021, we expect to continue running most of our projects through "virtual teams". This implies we should sustain the adoption of new ways of working to guarantee successful completion of ongoing ICT and Digital Transformation projects.

Business Continuity

As intimated in this report, the global health crisis provided a unique opportunity for the Group to test its resilience capabilities by activating the business continuity plan. The crisis enabled the adoption of contingency measures to safeguard the safety and health of staff, supporting teams and customers.

In actual terms, the crisis assisted the Group to understand the gaps in the continuity plan, which led to the implementation of remedial measures in line with the ISO22301:2019 business continuity management system framework. Through BCM initiatives such as the invocation of the Group business continuity plan undertaken by the Crisis Management Committee (CMT), swift interventions were implemented allowing customers to continue enjoying services from the Bank during the pandemic.

More importantly, as a result of the crisis, the Group was able to implement a robust disaster recovery test plan to prepare for unforeseen disruptions. A recovery system is now in place recovery/contingency plans which can be used to recover the system during disruptions.

Generally, we improved the Group's business continuity management framework especially with the adoption of the ISO22301:2019 standards. The standards will assist the bank to progressively reduce the cost of disruptions, providing confidence in the bank's ability to recover during disruptions, reduce legal and financial exposure as a result of disruptions and improve capabilities to remain effective during the disruption.

PEOPLE'S REPORT

Building a high-performance culture for our staff

Siaophoro Kishimbo - Director of Human Resources

At the heart of the Group's transformation agenda is its people. Our employees play a very crucial role in building a stronger organisation, which strives to make a positive impact on society. When we kicked off year 2020, we had clear priorities for the year and were energized about the possibilities that lay ahead. Not knowing what the future held, we were hit by a global health crisis brought about by the COVID-19 pandemic.

Our Group remained resilient, implementing a responsive strategy to support the business to navigate the crisis period. Specifically, we rolled out several initiatives that were aimed at protecting our employees while at the same time improving both their individual and collective experiences. The efforts spanned across business transformation; career development; employee engagement; performance management, recognition; leadership and succession.

Leadership and succession

The Group has placed a considerable emphasis on leadership training and succession planning, seeing that the two are integral to the sustainability strategy. During the year under review, we continued to implement leadership programs designed to empower the current leaders while at the same time equipping young ones with the necessary skills and knowledge in leadership. The Bank believes that strong leaders motivate employees, drive performance and impart a unique culture that is critical to the Group's long term vision.

During the year, we adopted a holistic approach to leadership training by investing a substantial amount of funds towards academic programs and professional workshops to support the personal development of our senior employees. As a result, more than 115 Branch Managers were trained under the Group's Branch Managers' Academy program, which targets to build capacity on strategic thinking and talent management. Additionally, 19 executives benefitted from the Group' Leadership Development Program delivered in partnership with Strathmore Business School, whereas almost 327 Frontline Managers participated in our Leadership Acceleration Workshops.

To ensure business continuity, the Group has activated a robust succession plan for all critical positions across the Bank. This includes the two subsidiaries (CRDB Insurance and CRDB Burundi SA). Strategically, we continue to strengthen our talent acquisition and management methods to ensure we attract and retain the best talent in the market. We have adopted, a pan-bank approach to accelerate gains through the introduction of groupwide Talent Conversations.

Leveraging on the Group's strong positioning and brand, we launched a comprehensive Graduate Development Program, treating to recruit highly talented individuals. We see young graduates as crucial to growing our talent pipeline to meet future human resource needs and position the Bank accurately for sustained growth. During the first admission, a total of 30 high-calibre and diverse graduates were selected and will be exposed to various functional areas across the CRDB Bank Group on a rotational basis.

Diversity and Inclusion

Inclusion remains an important consideration for the Bank Group and forms part of the wider strategy to achieve equity. During the 2020 financial year, our Group took several steps to create an inclusive environment including the launch of SHE Talks - an inspirational platform designed to empower female employees at different levels throughout the organization.

Further, the Group amplified the women agenda to inspire leadership and develop unique qualities that would enable them to rise to the highest levels of leadership. Among other key developments was the launch of the Women-to-Women Mentorship Program which is spread over 12 months and aims to train women to take charge in decision-making processes and is underpinned by 360° feedback and coaching support. Besides, we collaborated with the International Finance Corporation (IFC) - a member of the World Bank Group - to deliver the Women Leadership Program to 100 top female performers in the Group.

Employee engagement

CRDB Bank Group recognizes the importance of engaging and motivating our employees to sustain business performance. To measure how well the Bank is fulfilling this goal, a comprehensive Employee Satisfaction Survey was undertaken to ascertain various aspects of employee issues across the operations. The survey attracted a 78 per cent response rate (that is 2,560 employees) and the results demonstrated that our overall employee engagement rate of 87 per cent was slightly high compared to the previous survey which was at 83 per cent. We are pleased also to report that our overall attrition rate during the year stood at 3 per cent mainly driven by voluntary resignations. Taking all exits in the year there was no critical/regrettable loss. Our focus going forward will be on the implementation of departmental action plans to continuously improve engagement.

A comprehensive review process of the HR Manual incorporating Disciplinary Code was undertaken during the year, in a consultative process that involved union representatives. Also, we continued to observe mutual respect and maintain a cordial relationship with the Tanzania Union of Industrial and Commercial Workers (TUICO).

Conversely, an annual medical examination was conducted by the Occupational Safety and Health Authority (OSHA) to all employees to identify and address occupational diseases. The Group continued to offer comprehensive medical benefits schemes to all employees and their immediate families.

Employee Wellness Programs amid COVID-19

Responding to the extraordinary events of the year, the Group implemented several initiatives to improve employee wellbeing and productivity including; the introduction of the Working From Home (WFH) during the pandemic. We also activated Flexi working arrangement to promote work-life balance to all employees alongside setting up an Online Counselling Hotline managed by qualified therapists and psychologists to support employees relationships, stress management and other issues in their personal and professional lives.

More importantly, the Group was at the forefront of promoting the health measures at the height of the COVID-19 crisis by ensuring employees remained safe. The Bank provided protective gears, medical assistance to quarantined staff and implementation of temperature checking at entry points for staff and customer.

Community engagement through Employee Volunteering

In line with the Bank's commitment to operate sustainably and ensure that our staff are the core component of our integrated community strategy, Group implemented an Employee Volunteering Program to provide an opportunity for staff to take part in community initiatives. With over 3,600 staff across the network, the program encourages employees to use their interests and skills to help out in the local communities where they are based to make a real difference. During the year, staff across all our seven (7) zones volunteered to facilitate the Sexual Education Program to primary school students and handled over sanitary pads to 5,370 girls.

Performance and recognition

To reinforce our performance culture, we adopted a holistic approach to performance management, which includes defined objectives, quarterly progress checks, providing regular meaningful feedback while holding people accountable through Performance Improvement Plans (PIPs) and promoting continuous development.

As a future-oriented employer, we believe in rewarding excellence among our employee as not only a motivating factor but also a noble action. During the year, we introduced the Semi-Annual CEO Awards to acknowledge and celebrate key drivers of change in People Management, Customer Service, Sales, Creativity, Digital & Innovation, Risk, Control and Audit within our organization.

Learning and development

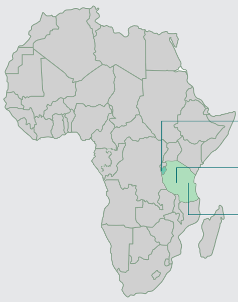
The Bank believes that continuous learning and development are vital to ensure all employees have the right skills, knowledge and ability to increase their efficiency and excellence. During the year, Group continued investing in its people through various blended learning intervention under the 70-20-10 Model, which requires individuals obtain 70% of their knowledge from job-related experiences, 20% from interactions with others, and 10% from formal educational events. During the year, 98% of all employees were availed with some form of learning intervention. Another key development was the certification of the Bank's Training Centre to become an ISO 9001. This is the clear testimony of the belief that CRDB Group has invested in human capital that will deliver services meeting international standards.

Also, our training delivery model changed from a traditional classroom approach to a virtual one, making it more accessible and cost-effective via our innovative Social Learning and Percipio platforms which cover the entire range of mandatory training and available learning across CRDB Group.

Business transformation

As the bank continued to execute its strategy in 2020, the HR function helped in managing significant organizational changes such as the adoption of the Zonal Operating Model, re-alignment and repositioning of departments/functions and the integration of the Kilimanjaro Cooperative Bank Limited (KCBL) activities. Furthermore, the HR team provided support by coaching and training managers to prepare them for the foundational changes our bank is going through.

Total Group Employees



88 Burundi Subsidiary

3,509 CRDB Plc

38 Insurance Subsidiary

Employee diversity by ratios

Gender Ratio

57% Male

43% Female

Profession Ratio

5% Support

14 Professionals

11% Management

Employee diversity by engagement

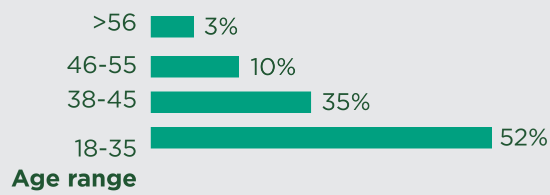
87% Employee Engagement

63% Employee Net Promoter Score

33% Women Engagement

3% Staff Turnover

Employee diversity by age



OUR SUSTAINABILITY AGENDA

CRDB Bank Group is committed to promoting sustainable development in the full range of its services including credit products. For us, environmental and social sustainability are fundamental aspects of achieving desired outcomes and are consistent with our long term growth strategy. Our cedit policy gives priority to projects that foster environmental and social sustainability.

The Group finances projects and businesses that have a clear strategy of managing social and environmental resources responsibly. We apply international best practices, (including IFC Performance Standards) and adhere to international treaties and conventions, which have been ratified by the respective governments in our markets of operation.

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

GCF accreditation and opportunities

CRDB BANK group is accredited with the UN Green Climate Fund (GCF) as a financial intermediary and executing entity for green projects in Tanzania. We are at the forefront of championing climate action projects that are compatible with the country programmes as communicated in the United National Framework Convention on Climate Change (UNFCCC) under the Paris Agreement. The Bank is authorised to access various financial instruments such as concessional loans, guarantees and equity to achieve intended objectives.

Environmental and Social Safeguards

To ensure effective environmental and social management, the Group has set of actions policy and procedures that are implemented concurrently with our other operational and existing credit management procedures. We have a dedicated unit called Sustainable Finance Unit (SFU) domiciled at the Directorate of Business Transformation, which is responsible for innovating and formulating transformative ideas that will lead to implementation of climate action projects based on the Group's environmental and social policies and procedures and, adhering to international treaties including implementation of Environmental and Social Management Systems (ESMS).

Sustainable Project Management

As a matter of policy, CRDB Bank Group finances projects and businesses that manage their social and environmental impacts responsibly. We independently conduct environmental and Social Impact Assessment (ESIA) based on the Tanzanian Environmental Management Act of 2004 and its EIA & Audit regulations of 2005 (and its revised EIA and Audit-amend Regulation 2018). Further assessment is done following adopted international best practices, particularly IFC 8 Performance Standards to assess and manage environmental and social impacts.

Gender Mainstreaming

Our Group has various initiatives for gender consideration and empowerment. Over the past two years, we have continued to adopt gender mainstreaming through a comprehensive policy, which requires a gender action plan during project preparation especially those supported by the UN-GCF. We also support consideration of gender in the designed and development of solutions such as saving schemes and loan products.

On leadership, we have mentorship programme dubbed SHE Initiative, which supports women in achieving their goals in leadership and career growth.

Grievance Redress Mechanisms (GRMs)

With the benefit of hindsight, we know that in the course of implementing a project, there are likelihoods for conflict, especially social ones. Our Group has adopted the Grievance Redress Mechanism, which ensures smooth handling of all environmental and social complaints that may occur during implementation of projects especially those financed by GCF.

We continue to improve complaints register and case management systems to maximize transparency and accessibility of complaints from vulnerable communities and project's affected parties.

Environmental, Health, Security and Social responsibilities

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

Regarding security, we have a robust Corporate Security and Business Continuity Management (BCMs) department, which oversees all Bank's internal security, occupational health and safety during our day-to-day activities and continuity mechanism during any disruptions.

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

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

CORPORATE SOCIAL INVESTMENT

Driving social impact through our CSI programs

Tully Esther Mwambapa - Director of Corporate Affairs

Despite the ravages of the COVID-19 pandemic, our Group continued to advance its sustainability agenda in 2020 with a TZS 1.9 billion investment in social initiatives, focusing on the strategic pillars – Health, Education, Environment and Youth & Sports. The strategic pillars form the basis of the Group's social responsibility approach and, are engrained in our value system because we understand their transformative capability.

Investing in Inclusive healthcare

Healthcare is a priority area for us because we hold a simple, yet powerful belief that when people are healthy they are more likely to be productive. For more than two decades, CRDB Bank's investment in the health sector has continued to increase with a sustained focus on infrastructure expansion and purchase of medical equipment. Amazingly, the Group's contributions have had a far-reaching impact in as far as enabling the country to improve its capacity to provide healthcare to its citizens. With the unprecedented events of 2020, especially with the outbreak of COVID-19, the Group's support to the sector in both Tanzania and the Republic of Burundi would not have been more appropriate.

Understanding the unique challenges of 2020, our Bank was among the first corporate organisations that swung into swift action to support mitigation efforts for the novel coronavirus. Besides providing financial support, the Group played the role of a corporate champion for the public health guidelines including handwashing, social distancing and implanting the Working From Home (WFH) concept. These actions were consistent with the groupwide social responsibility programs.

In furtherance of the Group's annual investment in healthcare, a total of TZS 680 million was extended to the healthcare sector being inclusive of the cash donation to the National Health Fund for COVID-19 response. A chunk of the funds was channelled towards expanding healthcare infrastructure, mainly construction of dispensaries, wards and purchase of medical equipment.

CRDB Bank's transformation journey is an inclusive one. Right from the time when the Group embarked on the journey, its founders made a conscious decision to endeavour to elevate the communities around us. In line with our sustainability agenda, we continue to implement programs that not only uplift individual livelihoods, but also transform the community.

Through the partnership with the Jakaya Kikwete Cardiac Institute, the Group also sustained its support towards paediatric health through a TZS 200 million grant. The funds were proceeds of a fundraising marathon event held in August 2020, which brought together a dozen corporate partners and attracted more than 5,000 participants. The Marathon, christened CRDB Bank Marathon 2020 was themed ***"Kasi isambazayo tabasamu"***, translated as 'race that spreads smiles.' The marathon, which was a huge success, has been adopted as a calendar event for the Group and will seek to bring aboard more like-minded partners.

Championing
Environmental Sustainability

The Group's aspiration to be an environmental steward moved a notch higher in 2020 with the launch of a three-year afforestation campaign dubbed "Pendezesha Tanzania" (translated 'beautify Tanzania'). The initiative is conceptualised to champion tree planting in urban areas to mitigate human pollution brought about by human activity and urban settlement. The campaign targets to plant 100,000 trees in three years. It also seeks to drive public awareness initiatives on sanitation through regular cleaning exercises. During the inaugural event held in September, the Group, alongside the local administration in Goba Ward of Dar es Salaam, planted about 2,000 trees in all primary and secondary schools in the ward. Participants also cleaned up clogged drainages stretching more than 10kms as part of community sensitization on environmental hygiene.

The Group's commitment to the environment is unquestionable and is determined to play an active role in protecting the environment as per the Sustainable Development Goals (SDGs). The Bank continues to align its actions and activities with the broad aspirations contained in the SDGs. The Environment pillar emphasizes the adoption of practices that support the global determination to protect the planet from degradation, including through sustainable consumption and production, sustainably managing its natural resources and taking urgent action on climate change, so that it can support the needs of the present and future generation

Social transformation through education

Investment in Education

TZS 640 Million

Our Bank believes that education is an equalizer and holds the key to addressing inequalities brought about by poverty. Since its establishment, CRDB Bank has been investing in the improvement of the education sector with a special focus on the quality of education in public schools. Through donations, grants and loans to the sector, we have been able to make a significant impact, building on the efforts of public sector programs and other stakeholders in the education sector.

During the 2020 financial year, the Group invested a total of TZS 640 million in the sector. The investment mainly targeted infrastructure upgrades to improve the learning conditions for students and resourcing of schools with tools to facilitate learning. There was consideration for the construction of library facilities, classrooms, dormitories, purchase of laboratory equipment and construction of amenities such as ablution blocks. In the year, more than 10, fully-equipped classrooms, 5 dormitories and over 70 pit latrines were constructed in various schools around the country.

To support innovation in the education sector, the Group collaborated with the Ministry of Education to host a nationwide competition for innovators called MAKISATU. This, alongside other programs in the sector, has propelled the country's efforts to provide quality education in line with the aspirations of the Sustainable Development Goal no. 4 which seeks to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Supporting youth programs through sports

Investment in Youth Programs

TZS 80 Million

CRDB Bank's longevity is hinged on its ability to create sustainable communities. The youth form an integral part of the communities and hold the key to their survival. Over the years, the Bank's leadership has considered investments towards programs that have a direct bearing on this ability, such as youth empowerment and wellness. Like many organizations around the world, we see sports as a great avenue for young people to make a livelihood through talent. This is what informed our policy decision to earmark it as the fourth pillar of our social investment strategy.

We believe that sport can transform communities seeing that it has the potential to create employment, promote harmony and, as such, provide a useful learning platform for young people.

Despite the pandemic in 2020, we continued to do our bit to develop talents through sports while at the same time promoting active lifestyles as part of the mitigation efforts for COVID-19. A total of TZS 80 million was invested in Youth, Sports and wellness programs during the year, with a significant amount channelled towards promoting talent.

This culminated in a first-ever national basketball tournament in the country's political capital, Dodoma in the third quarter of the year. The tournament, christened 'CRBD Bank Taifa Cup 2020' pooled together more than two dozen teams from 26 regions in Tanzania to a high-octane fete that provided a unique scouting ground for basketball talent. The tournament culminated in the sponsorship of 26 players university students with scholarships valued at TZS 38 million to further their academic progress.

A commitment to responsible citizenship

Total CSI spend

TZS 1.9 Billion

We have a long-term commitment as corporate citizen to invest in the community. We aspire to transform lives through our business. Whereas we have a focus on the key pillars, our Group endeavours to respond to issues within the community with a view to enriching lives.

Faced with a global pandemic and an unprecedented health crisis, 2020 presented unique challenges that changed the course for humanity. Our programs during the year also sought to address emerging problems including health emergencies.

Living beyond today

We are actively seeking ways to take advantage of the changing business landscape to serve our customers better and more powerfully. Our medium-term strategy puts digital adoption at the centre of our growth plans and elaborates our expansion approach. We are keen to drive financial inclusion and delivering efficiency and convenience far and beyond.

Strategically, we have rolled out various digital products that are designed to deliver a great experience and convenience to our customers. An example is our mobile platform SimBanking which combines mobile convenience and a seamless banking interface that puts the power of transacting in the palm of the customer.

We intend to keep the pace of innovation through our ideas hub under the business transformation unit, which is responsible for innovating for the future and, has adopted frameworks that guide the bank's product design and rollout.

RISK MANAGEMENT REPORT

Proactively managing risks as a competitive advantage to drive shareholder value

James Mabula - Director of Risk

The Group is committed to meeting stakeholders' expectations in mitigating risks through a robust enterprise-wide risk management framework. The framework aims at ensuring that risks are identified, quantified, managed and monitored to achieve an optimal-risk reward profile. Our enterprise risk management framework has well-defined the internal structures, adequate processes, systems and policies, which monitor and help to mitigate existing and prospective risks or threats of damage, injury, liability, loss and any other negative occurrence that may arise from external or internal vulnerabilities, and which may be avoided through preventive action.

We strongly believe that preventing risks enhances shareholder value because it allows us to manage risks proactively and intelligently, which maximizes the Group's potential for earnings, ensures stability and takes measures to protect the business against unexpected losses. Primarily, our risk management aims to protect the Group's solvency through the preservation of high asset quality, efficient operations and prudent capital management resulting in sustained earnings that augment core capital, enabling regulatory compliance, enhancing market reputation and stakeholder support.

Risk Management Principles

In managing risk, CRDB Group considers the value our risk framework creates to ensure it contributes to the Group's objectives. This is achieved through continuous review of processes and systems. Strategically, we have an integrated risk management and governing structures which form part of our planning processes, at both operational and strategic levels.

All key decision-makers within CRDB Group rely on proactive risk management principles to make informed choices, identify priorities and choose the appropriate action. We address uncertainties by proactively identifying potential risks and implementing controls and treatments to maximize the chance of gain while minimizing the chances of loss.

From experience, we know that to effectively manage risk, we must strive to understand and consider all available information relevant to an activity, while being conscious to the fact that there may be limitations on that information. Our risk management framework guides us on determining how all-available information informs the risk management process, taking into consideration both the internal and external operating environment.

We also appreciate the role of human and cultural factors in risk management. This framework recognizes the contribution that people and culture make in achieving the group's business objectives. For this reason, we constantly engage stakeholders, both internally and externally, throughout the risk management process, recognizing that communication and consultation are key to identifying, analyzing and monitoring of risk.

Besides, we acknowledge that managing risk needs flexibility, hence our focus on dynamism. We operate in a challenging environment and this, therefore, requires that we stay alive to need context for managing risk and continuously work to identify new risks that emerge while making allowances for those risks that no longer exist. CRDB Group aspires to improve its risk management culture by allocating adequate resources, over time to efficiently manage risks and ensure the ability to demonstrate continual achievement.

Group's attitude toward risk

we actively take risks, as allowed within our risk appetite and risk tolerance levels. In taking risks, we exhaustively examine adequacy of the benefit in business terms. Unacceptable risks are risks at a level that exceeds the maximum risk tolerance level, as defined by the Board of Directors, or risks that may impair the growth of the group and perhaps cripple operations.

We take a comprehensive perspective, considering regulatory requirements to maximize the group's profitability at a risk level in line with our risk appetite.

Classifying risks

The group's risk-management strategy aims to support the achievement of business objectives while identifying and quantifying risks, establishing risk ownership, and maximizing business value, taking into consideration costs in terms of risk, by every responsible individual at all levels of the organization. Consequently, we have classified risks into distinct areas based on ownership and operation set up of our business.

Credit Risk

The risk that arises from unmet customer obligations, either willingly or unwillingly, which results in economic loss to the group.

At Management level, this risk is governed by the Loan Portfolio Quality Committee and Management Audit and Risk Committee. At the Board level, the Credit Committee of the Board provides overall oversight and advises on all matters relating to Credit risk. Our credit risk management strategies based on achieving the right asset quality and concentration. To achieve this, credit risk is assessed and managed right from credit origination to recovery management. Our assessment methodologies ensures that risks are clearly articulated and mitigations are in place throughout the credit management life circle.
Key tools used in credit risk management include;

- Credit policy that stipulates the credit risk appetite, structure, roles and responsibilities with regards to credit risk management.
- The limits policy that sets the level of credit risk appetite to achieve the right portfolio mix.
- Credit Sanction Mandate which spells out the maximum single credit accommodation which an individual or committee can sanction.
- Early Warning Signs Model (EWSM) which is able to predict for a default or challenge on customer meeting future repayments early enough before customer gets into actual default. This helps the group in taking proactive measures before it is actually too late.
- Existence of effective MIS which enables production of key reports on portfolio quality including portfolio at risk, Non-performing loans (NPL), key sectoral, product and segment exposures reports.
- Independent credit processes reviews by the second line of defense to highlight areas of improvement in the end to end credit risk management value chain.
- The Expected Credit Loss (ECL) Framework that enables expected credit loss recognition in line with international accounting requirements.
- Existence of dedicated special assets management unit that deals with the stressed loan portfolio and feedback to the originating team to inform and adjust lending strategies and policies.

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. It includes legal risk covering, but not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

At Management level, this risk is governed by the Operational Risk Committee and the Management Audit and Risk Committee whereas, at the Board, the Risk Committee of Board provides an oversight role. We have an elaborate Operational Risk Management Process, which outlines the sequence of activities and decisions in managing Operational Risk; namely: Identification; Assessment; Monitoring; Controlling / Mitigation and Reporting;

We continuously monitor our Operational Risk in the context of our risk appetite.

The Group has in place a robust risk management process where risk management tools have been deployed to ensure proactive measures are achieved at largest extent.

Key tools used in Operational risk management include;

- Real time Incident Management procedure for smooth escalation of all control failures for continuous and effective root cause analysis
- Risk and Control Self Assessments (RCSAs) for quarterly assessments
- Key Risk Indicators (KRIs) for Monthly monitoring of risk exposures.
- Independent Risk and Control reviews that focuses on the identification of inherent risks in Processes, Products, Projects and Systems.

The Group applies a Risk Rating Scale in arriving at the overall risk exposure that depicts a risk profile of a product, process, system or business unit and the group at large.

Information and Communication Technology (ICT) Risk

The Group leverages on information and communication technology systems and infrastructure in delivering services to its customers. ICT risk is the risk associated with the use, ownership, operation, involvement and adoption of ICT within the Group. It refers to technology-related events and conditions that could potentially impact business. It can originate from inadequate management and support of ICT systems and infrastructure, compromise of information security controls, failed systems, or other external factors such as cyber-attacks and/or technology obsolescence.

ICT Risks Management

The Group has in place Board-approved policies which govern usage and operations of ICT systems and infrastructure in the organization, the policy stipulates measures to protect the information assets from all threats, whether internal or external, so as to ensure continuity of its business operations and control potential damage that may occur as a result of technology risk events. The policies stipulate standards which are followed in ensuring customers' and organization's data, as well as the information systems and infrastructure are adequately protected from intrusion, destruction or malicious modifications.

The ICT policy is supported by various mini policies which govern the operational management of all ICT related risks which may potentially affect operations and delivery of services to customers.

The Group's information assets are protected against current and emerging threats and risk events which include but not limited to the following:

- Viruses and other malicious software
- Computer hacking
- Denial of service attacks
- Unauthorised changes to systems and data contained and processed therein
- Natural disasters
- Power failures
- Network and communication failures
- IT services failures
- Technology absolute

ICT risks are managed through continuous assessment and monitoring that is done by use of key risk indicators, risk and control self-assessments, and other reviews performed by the second and third line of defence. Emerging IT risk exposures, performance of established controls and areas that need improvement are reported to and deliberated in Management and Board Risk Committees.

Fraud Risk

The Group has adopted a zero tolerance policy towards employee related fraud. The Group has a comprehensive fraud risk management practices which covers the following:

- Anti Corruption and Fraud Risk Management Policy, which defines Fraud acts and prohibits all Group staff to engage in fraudulent practices and misconduct across the Group.
- Continuous Fraud Prevention Awareness programs to all staff and customers.
- Professional investigation process on the detected and reported fraudulent and misconduct incidents.
- Whistle blowing Policy which enables staff members to report any kind of miscount anonymously and without retaliation. The Group has adopted two reporting channels i.e. one managed internally and other managed by third-party who is among the top four Audit and consulting firms to create confidence.

Market Risk (Price, Foreign Exchange and Interest rate risks)

The nature of Group's businesses expose it to market risk, which is the risk of financial loss on earnings or capital arising from adverse movement in market rates or prices such as interest rates, foreign exchange rates and equity prices. Market risks arise from open positions in interest rate, currency, price and equity investments, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices. The Group separates exposures to market risk into either trading or non-trading portfolios. The group's Treasury Department where the trading and the Asset and Liability Management functions reside manages market risk, and the Risk and Compliance function independently monitors and reports on the risk taking aspects of market risk. Regular reports on positions are submitted to the Board of Directors and the Management Risk Committee.

Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market. Non-trading portfolios primarily arise from interest rate management of the Group's retail and commercial grouping assets and liabilities.

Market Risk Measurement Techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable risk appetite while optimising the return on assumed risk. The Risk and Compliance Department is responsible for coordinating the development and review of risk management policies while Treasury department is responsible for day-to-day implementation of those policies.

The Group applies interest rate gap analysis coupled with Earning at Risk and stress testing analysis in measuring exposure to market risk for the purpose of managing and controlling market risk exposures within acceptable limits while optimising return on investments.

Price Risk

The Group is exposed to equity securities price risk as it has investment in listed stocks and to debt securities price risk classified on the balance sheet as available for sale financial instruments. The Board sets limits on the level of exposure for investment as well as stop loss triggers to minimize equity price risk in case of declining price of listed stocks investment, and to minimise losses from market price changes on the available for sale bonds portfolio. On a daily basis, the Risk and Compliance function monitors the exposure on these portfolios. .

Foreign Exchange Risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets risk appetite on the level of exposure by currency and in aggregate, for both overnight and intra-day trading positions, which the Risk and Compliance function monitors daily.

Interest Rate Risk

Interest rate risk is the probability of financial loss to earnings or capital arising from unfavourable movement in interest rates. 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 fair value of a financial instrument will fluctuate because of changes in market interest rates. The group 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 produce losses in the event that unexpected movements arise. The Group's Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is regularly monitored by an independent Risk and Compliance function, reported monthly, and quarterly to the Management Audit and Risk Committee and Board Risk Committee on quarterly basis respectively.

Interest rate risk is managed through gap analysis and stress testing, and mitigated through portfolio diversification.

Liquidity Risk

Liquidity risk is the possibility of having a shortfall to earnings or capital arising from the likelihood that the Group will not have sufficient cash to meet liquidity demands or situations on which it cannot raise enough liquidity in a cost effective manner.

Liquidity Risk Management Process

The liquidity risk management process that is carried out within the group and monitored by the Asset and Liability Committee (ALCO) includes:

- Day-to-day funding management which is managed by monitoring future cash flows to ensure that funding requirements can be met. These include replenishment of funds as they mature or are loaned to customers. The group 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 balance sheet liquidity ratios against internal and regulatory requirements;
- Managing the concentration and profile of debt maturities; and
- Monitoring maturity gaps to ensure that the 0-90 day (short-term) gaps remains positive at all times.

The 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.

Funding Approach

The Group's major source of funding comes from customer's core deposits. To this end, the group maintains a diversified and stable funding base comprising of current/demand, savings and time deposits. A considerable importance is placed on the stability of these deposits, which is achieved through the retail grouping activities, and by maintaining depositors' confidence in the business strategies and financial strength.

The Group borrows from the local interbank market through transactions with other banks for short term liquidity requirements and in order to diversify the funding mix and reduce mismatch in its balance sheet. The medium and long term funds are borrowed from foreign banks and financial institutions from the international market. The group has also established funding lines with both local and foreign banks for short term funding requirements as part of its Contingency Funding Plan (CFP).

Stress testing

Stress testing is done to supplement the Group's other risk management approaches and measures. It covers five principal risks that the Group is exposed to, namely: Credit, Interest rate, Foreign exchange, Liquidity and Operational risks which are likely to occur due to market shocks and have an impact on the group's financial soundness.

Stress tests provide an indication of the potential size of losses that could arise in extreme or worst case conditions. The group applies risk factor stress testing, where stress movements are applied to each risk category. The analysis assists in assessing and determining the Group's capital resilience to different assumed market shocks that are likely to occur.

Stress testing is carried out quarterly to determine whether there is enough capital to withstand adverse developments. This is for the purpose of alerting the Group's Management to unfavourable unexpected outcomes related to various risks and provides an indication of how much capital might be needed to absorb losses should large shocks occur. The results are meant to alert on spots in the risks tested at an early stage and to guide preventative actions by the Group.

Strategic Risk

Refers to current and prospective impact on earnings and capital arising from adverse long-term business decisions, improper implementation or execution of decisions and/or strategies, or lack of responsiveness to industry changes. At Management level, the Executive Committee (EXCO) governs this risk with the Board responsible for an oversight role for this risk. The Department of Business Transformation, through the Strategy unit coordinates development and monitoring of Strategic Performance Initiatives at the Group level.

On a quarterly basis, the Department of Risk and compliance performs a Strength, Weaknesses, Opportunities and Threats (SWOT) analysis to determine factors that would affect attainment of the Group's Strategy (This includes assessment of the strategic pillars by looking at both internal and external factors) and reports the same to Management Audit & Risk Committee and the Board.

Compliance Risk

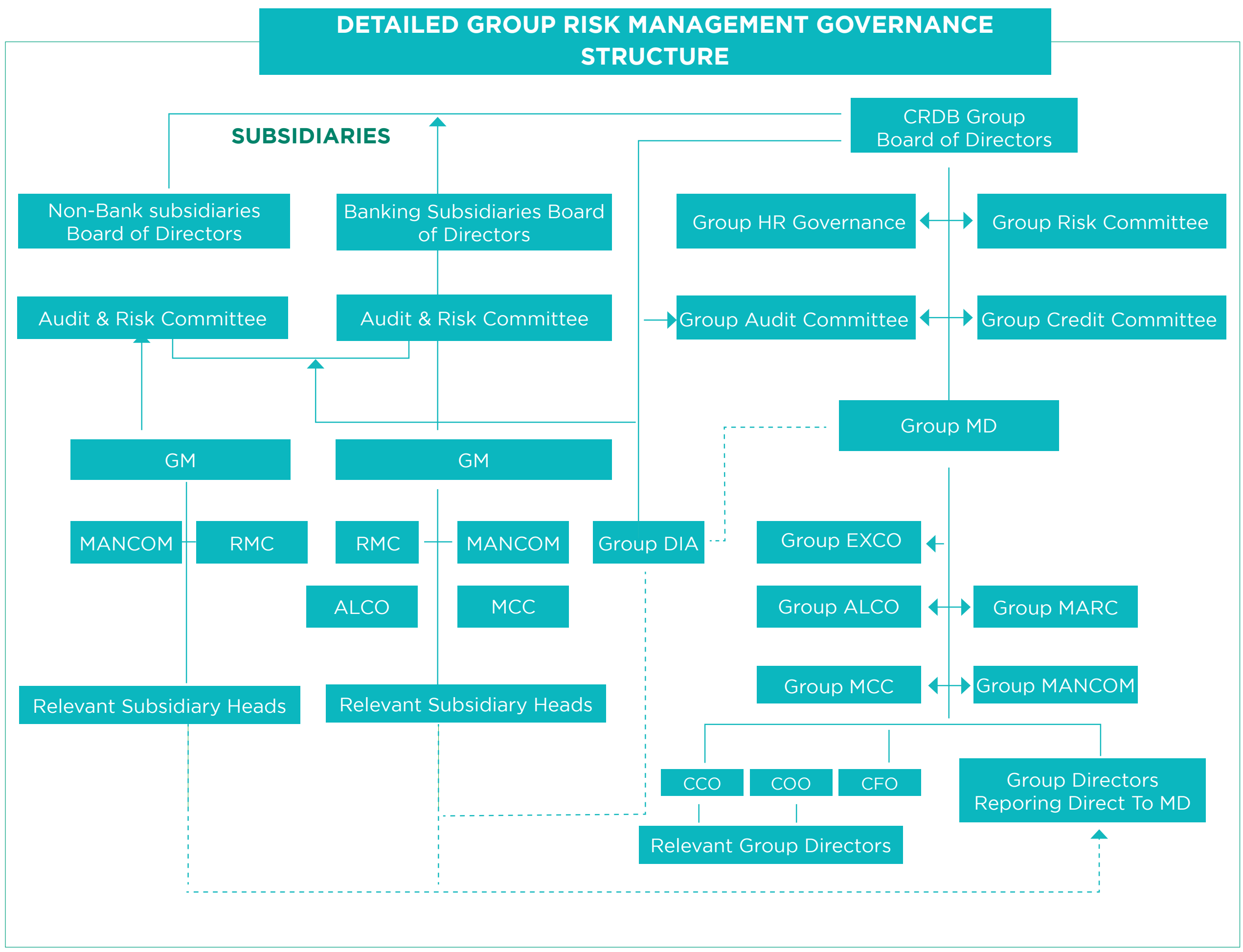
Refers to current or prospective risk to earnings and capital arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices, or ethical standards, as well as from the possibility of incorrect interpretation of effective laws or regulations. Management Audit & Risk Committee and the Board have oversight responsibility around Compliance Risk Management for the Group. The Group manages Regulatory Compliance Risk through a dedicated Regulatory Compliance function which monitors Regulatory changes and its effects to the business, disseminate the requirements across the Bank to ensure the business is not in violation and make changes to Group's policies and procedures affected by changes in laws and regulations. The function conducts regulatory conformance tests across the Group to detect compliance gaps in enforcement of regulatory requirements and reports to the Risk Management Committees of the Management and the Board, on Compliance status for the Group.

AML/CFT Compliance

CRDB Group is strictly committed to continued compliance with all laws, regulations and standards as well as any other relevant provisions which apply to the Group with regard to Anti-Money Laundering (AML), Counter-Terror Financing (CFT) and Sanctions. The Group through its AML& Sanctions policies has implemented a robust AML and CFT compliance program aligned to international best-practice which are applicable across the Bank and its subsidiaries.

The Group has a strong Compliance Function that provides oversight on AML/CFT and sanctions risk and has put in place robust IT systems, processes and procedures to prevent persons engaged in money laundering and terrorist financing or other financial crimes, from utilizing the Group's network, products and/or services.

AML Risk Manangement is also an integral part of our customer onboarding and due diligence processes (KYC and CDD). Compliance-related issues and escalations are referred to the Management Audit and Risk Committee (MARC) and the Board Risk Committees as appropriate for full and timely resolution. All employees are required to adhere to the AML/CFT policies and program, which provide that no customer relationship is worth compromising the Groups commitment to AML/CFT compliance requirements.



KEY:

ALCO	Asset Liability Management Committee	EXCO	Executive Committee
MARC	Management Audit & Risk Committee	RMC	Risk Management Committee
MANCOM	Management Committee		
MCC	Management Credit Committee		

A quarter a century of transforming lives

For 25 years, our Group has remained steadfast in providing vital financial services to the people of East Africa. We have curved a niche as a homegrown brand, which genuinely seeks to partner with individual customers, corporations and the government in creating shared value.

These years have been characterized by resilience, innovation, creativity and continuous improvements, across all our business touchpoints. We have had countless opportunities to learn and adapt to the changing times. More importantly, we have built lasting partnerships with our customers, system associates, shareholders and investors.

We continue to invest in these relationships, constantly exploring new ways for engaging with each of our stakeholders in a mutually beneficial and fulfilling way. We have made an open commitment to uphold transparency in our business and are firmly focused on increasing shareholder value, through implementation of aggressive business strategies and prudent management of resources.

Corporate Governance

OUR BOARD OF DIRECTORS

Dr. Ally Hussein Laay
Group Chairman

Dr. Ally Hussein Laay is currently the Chairman of the Board of Directors of CRDB Bank Plc. Under his stewardship, CRDB Bank Plc has maintained its position as the largest Bank in Tanzania in terms of assets, customer deposits, loan portfolio, profits and branch network.

He is also the Board Chairman of the Southern Agricultural Growth Corridor of Tanzania (SAGCOT), an institution that is working in partnership with the Government, private sector, development partners, and other stakeholders in the agricultural value chain to promote agriculture in the Southern corridor of Tanzania.

Dr. Laay also serves as Board member of the Tanzania Tourist Board (TTB), a Government apex organization responsible for promoting tourism in Tanzania. At the TTB, he chairs the Audit, Risk and Compliance Committee.

He is a Board member and Chairman of the Audit and Compliance Committee of the Foundation for Civil Society (FCS) in Tanzania responsible for the promotion of civil societies' activities in Tanzania. He previously served as Board member at the Institute of Accountancy Arusha (IAA), National Housing Corporation (NHC), Aerial Glacier Pediatric Health Initiative (AGPAHI) and Tanzania Family Planning.

As a professional Accountant, Dr. Laay holds an Advanced Diploma in Accountancy (ADA), Post Graduate Diploma in Accountancy (PGDA), Certified Public Accountant (CPAT), Master of Business Administration (MBA) from the University of Wales, Cardiff Business School in the UK and PhD in Business Administration in Finance and Accounting from Commonwealth University, UK.

He has worked at various organizations and in different capacities as follows; TANESCO (Principal Management Accountant), Coopers and Lybrand now PWC (Management Consultant), Medical Stores Department (Counterpart Director of Finance and Administration), TASAF (Director of Finance and Administration), ICAP of Colombia University (Director of Finance) and the National Economic Empowerment Council (Director of Finance and Administration).

Dr. Laay works on part time basis as a freelance consultant in Financial Management, Accountancy, Auditing and Corporate Governance. He enjoys reading, music, and jogging, travelling and visiting places.

Prof. Neema Munisi Mori
Independent Non-Executive Director
Board Vice Chair

Prof. Neema Munisi Mori is an Associate Professor of Finance at the University of Dar es Salaam, Tanzania and Associate Coordinator of Postgraduate Studies at UDSM Business School. She also worked as a Senior Lecturer at the Department of Finance, University of Dar es Salaam, Research Fellow at University of Agder, Norway, Assistant Lecturer and Tutorial Assistant at University of Dar es Salaam and Audit Trainee at KPMG Tanzania.

She is the Co-founder of MTI Investment Company in Tanzania and Norway, which is an equity investment firm that focuses on growing Small and Medium Enterprises. Prof. Mori is impacting positively on the youth as a trainer, researcher and mentor in entrepreneurship with over 10 years of experience in teaching, researching and consulting in areas of banking, finance, investment, corporate governance, microfinance and entrepreneurship. She is active in research and has published academic papers in international refereed journals such as Journal of Management and Governance, Journal of Emerging Market Finance and Journal of African Business.

She holds a PhD in International Business majoring in Corporate Governance and Boards of Financial Institutions from University of Agder Norway, Masters of Business Administration (MBA) majoring in Finance and Bachelor of Commerce (B.Com) majoring in Finance both from the University of Dar es Salaam.

Prof. Mori is the Chairperson of the Credit Committee and Member of the Governance and Human Resource Committee. She holds a Certification in Company Direction offered by the Institute of Directors – UK. She likes reading, singing and dancing and enjoys outside walking and exercising.

Eng. Boniface Charles Muhegi

(Non – Executive Director)

Engineer Boniface Charles Muhegi is the Managing Director of JMK International Consultants Ltd (an engineering and project management consulting firm). He was the Registrar (Chief Executive Officer) of the Contractors Registration Board for 15 years up to 2014 and is credited for the major strides made by CRB in conformity to its mission of regulating and developing a competitive and sustainable contracting industry with capable contractors who deliver quality works and observe safety in pursuit of economic growth.

He boasts of vast experience in the engineering and construction fields, having previously worked with the National Construction Council and Tanzania Electric Supply Company LTD (TANESCO).

Engineer Muhegi obtained his training in the spheres of engineering and construction management from reputable higher learning institutions namely; Master of Science in Engineering from University of Melbourne, Australia, Bachelor of Science in Engineering (Civil) from University of Dar es Salaam, Advanced Post Graduate Diploma in Construction Management from the Institute of Housing Studies (his) Rotterdam, Netherlands. He has also attended short courses and seminars locally and abroad on technical, management and governance issues.

He served as vice chair on the Advisory Board of Tanzania Building Agency (TBA) up to early 2014 and on the Board of Public Procurement Regulatory Authority (PPRA) up to 2018. He is a Chairperson of Governance and Human Resources Committee and member of the Credit Committee. He enjoys doing volunteer work in his spare time and his hobbies include reading and playing basketball.

Dr. Fred Msemwa

(Non – Executive Director)

Dr. Fred Msemwa is the Founding Managing Director of Watumishi Housing Company Real Estate Investment Trust (WHC REIT) and a Trustee of the Youth Dream Foundation (YDF). He previously served as Director of Audit at the Energy and Water Regulatory Authority - EWURA (2008-2013), Deputy Principal Finance, Planning and Administration at National College of Tourism (2005-2007) and rose from an Accountant to Finance Manager at National Housing Corporation (1999- 2005) and Accountant – BP (1998).

Dr. Msemwa holds a Certificate in Directorship from the Institute of Directors in Tanzania, a PhD in Business Administration (Audit) from the Open University of Tanzania, MBA in Finance from Birmingham City University (UK), Advanced Diploma in Accountancy from Institute of Finance Management (IFM), and is a registered auditor (FCPA-PP) by NBAA. He is a member of Risk and Credit Committees of CRDB Bank Plc.

Visionary and enterprising, Dr. Msemwa is behind the registration of WHC REIT with Capital Markets and Securities Authority (CMSA). The WHC REIT is the first real estate investment trust in Tanzania. He is also credited for instituting integrity and ethical behavior at WHC which has made houses 10-30% comparatively cheaper.

He is a volunteer and co-founder of the Youth Dream Foundation (YDF); a youth empowerment NGO that seeks to empower youth economically through education, talent development and career guidance. He also serves as a senior member of the Church and Treasurer at Azania Front Cathedral in Dar es salaam. Dr. Msemwa enjoys morning jogging and music.

Mr. Hosea Ezekiel Kashimba

(Non – Executive Director)

Mr. Hosea Ezekiel Kashimba is the Director General of Public Service Social Security Fund (PSSSF). He previously held various posts within PPF Pensions Fund (PPF) namely Director of Internal Audit, Internal Auditor and Payroll Accountant. While at PPF he championed establishment of risk management function whereby the risk management framework was prepared in 2007 and adopted by the Board together with risk management policy.

He holds a Master of Business Administration, (Corporate Management) – Mzumbe University, Advanced Diploma in Certified Accountancy– IDM Mzumbe also holds Certified Public Accountant (CPA) T. He holds a Certificate of Directorship – Institute of Directors Tanzania (IoDT). He is the Chairman of the Audit Committee and Board Chairman of CRDB Bank Burundi S.A.

Mr. Kashimba enjoys mentoring audit and accounting professionals and is keen on being a role model in good governance. Naturally compassionate, Mr. Kashimba is an active member of a church choir and is renowned for his problem solving and mobilization skills.

Prof. Faustine Karrani Bee

(Non – Executive Director)

Prof Faustine Karrani Bee is a Professor in Development Studies at the University of Dodoma (UDOM) since March, 2019, when he was appointed the third Vice Chancellor. Prior to his appointment, he was the Vice-Chancellor at the Moshi Co-operative University (MoCU), where he also served as a Professor in Development Economics.

Prof. Bee was first employed as Tutor by the then Co-operative College Moshi in 1988 and became a lecturer in 1993. In 2004 the Co-operative College Moshi was transformed into the Moshi University College of Co-operative and Business Studies (MUCCoBS), a Constituent University College of the Sokoine University of Agriculture (SUA), where Professor Bee rose through the academic ranks to a full Professor.

Prof. Bee served as Deputy Principal (Academic) between 2007 and 2010 and became the Principal between 2010 and 2014. He spearheaded the transformation of MUCCoBS into a full-fledged University - the Moshi Co-operative University (MoCU), and he was appointed its first Vice Chancellor.

He holds a Doctorate and a Master's degree in Development Studies; and a Bachelor Degree in Economics. He was a Visiting Research Fellow of the Institute of Developing Economies in Tokyo, Japan between 1995 and 1996. He has attended various conferences and workshops organized locally and internationally. He has published widely.

Prof. Bee has vast leadership experience and exposure. He has served in various University Councils and Board of Directors as a member or/ and Chairperson. Prof. Bee served on the Board of the CRDB Bank from 2018 – 2021 and is currently representing CRDB Bank Board on the KCBL Board where CRDB has strategic interest. He is a member of the Audit Committee.

Mr. Abdul Ally Mohamed

(Non- Executive Director)

Mr. Abdul Ally Mohamed is an accomplished Financial Specialist with a proven track record in delivering consistent profit growth for businesses through high quality leadership management.

Mr. Mohamed has extensive experience across a broad spectrum of fast paced and challenging industries including, financial services, media and commercial football. He is a positive and driven team player with a strong background in media industry, pay TV business and digital marketing, specializing in content marketing, social, affiliates channels and on site optimization.

He has served as Commercial Director at Azam Media Ltd since 2018 and served as Chief Executive Officer of Azam Football Club, Bakhresa Group from 2016 to 2018, and was appointed General Manager of Azam Football Club in 2016. Between 2014 and 2015 he did E & Y Summer Internship and served as senior broadcasting Clouds Media Group (2010-2012) and ITV and Radio One (2003-2012). He holds a Bachelor's Degree in Accounting and Finance from Middlesex University. He's also CFA Associate member and ACCA affiliate member from UK. An ardent football lover, Mr. Mohamed is a diehard fan of English Premier League giants, Manchester United and has strong passion for cycling and tennis.

He is a member of the Audit Committee of the Board of Directors of CRDB Bank Plc.

Mr. Jes Klausby

(Non- Executive Director)

Mr. Jes Klausby is Senior Bank Analyst at the Danish Central Bank. He worked as Executive Vice President, Head of Group Finance of Nykredit Group, Chairman/ Board Member of Dansk Pantebrevsbors a subsidiary of Nykredits Realkredit, Managing Director at Nykredits Bank a subsidiary of Nykredit Realkredit, Executive Vice President, Head of Central retail units in Nykredit Realkredit. He was also External examiner in Finance at Danish Universities and Teacher in Finance at Copenhagen Business School.

He is renowned for championing introduction of simplified budgeting and balance score card as well as implementation of new principles of income and cost allocation and influencing and implementing Danish accounting rules for impairment of mortgage loans.

Mr. Klausby holds MSc in Mathematics and Economy from Aarhus University Denmark. He has attended a change management programme at INSEAD. Jes loves travelling with focus on culture experiences, trekking and cycling; he is interested in economics and politics. Mr. Klausby is Chairman of the Risk Committee, member of the Governance and Human Resource Committee.

Ms. Rose Felix Metta

(Non- Executive Director)

Ms. Rose Felix Metta is the Morogoro Regional Manager of the National Social Security Fund (NSSF). Her previous posts include Director of Planning and Investments at LAPF Pension Fund, Compliance Manager of LAPF Pension Fund, Principal Finance Officer – Budget, Principal Officer Investment, Head of Division – Capital Markets, Senior Planning Officer and Planning Officer of the National Social Security Fund.

Ms. Rose holds a Post Graduate Diploma in Social Security Financing from Maastricht University in the Netherlands, Master in Business Administration (Finance) and Bachelor of Arts in Economics from the University of Dar es Salaam. She also holds a Certification and Diploma in Company Direction offered by the Institute of Directors – UK, is certified by the Institute of Directors in Tanzania and a member of the Economics Society of Tanzania. She is a member of the Risk and Credit Committees and Board Chairperson of CRDB Insurance Broker Ltd.

Outside the office, Ms. Rose enjoys mentoring young girls with a view to enrich their lives and empower them to tackle diverse challenges. She is into traveling and visiting historical sites, as well as power walking and is an avid reader of both fiction and nonfiction books.

Mr. Martin Steven Warioba

(Independent Non- Executive Director)

Mr. Martin Steven Warioba is the Managing Partner of WS Technology Consulting and has more than 17 years of experience in Information Technology and payments as a consultant, project manager and software developer.

In the past 7 years, Martin has been one of the key Payments and Digital Financial Services (DFS) experts in East Africa where he has been involved in designing and implementation of DFS Interoperability, Cross Border and other electronic payments projects in Tanzania, Rwanda, Uganda and East Africa Community (EAC). Prior to founding WS Technology Consulting, Martin worked with Deloitte Consulting US LLP as Technology Integration Consultant and Central Bank of Tanzania as Senior Technology Analyst.

Mr. Warioba has a Computer Science degree with a minor in Mathematics from Louisiana State University as well as MBA and MSc in Information Management degrees from Arizona State University. Martin is also a certified Project Management Professional (PMP) by Project Management Institute in United States.

He is a member of the Risk and Governance and Human Resources Committees of CRDB Bank Plc.

Ms. Ellen Gervas Rwijage

(Non- Executive Director)

Ms. Ellen Gervas Rwijage is a Public litigation expert and a State Attorney at the Ministry of Finance and Planning. She previously served as State Attorney in the Office of the Solicitor General, State Attorney at Director of Civil Litigation and Arbitration: Attorney General's Chambers, State Attorney at Directorate of Public Prosecution: Attorney General's Chambers Arusha.

Ms. Rwijage has been a Member of various taskforce committees including the Ministry of Natural Resources and Tourism taskforce responsible for Review of Contracts and Developing Measures to improve Revenue Collections, Identification of Assets and Liabilities in Pride Tanzania, and a Member of the President's Committee on finding solutions for disputes arising from Land use.

She holds a Masters of Law degree in Human Rights (LL.M) from Tumaini University Makumira in Arusha, a Post Graduate Diploma in Law from Law School of Tanzania and a Bachelor of Laws (LL.B) degree from the University of Dar es Salaam. She has an International Certificate of Digital Literature in Computer, special training in Anti-money Laundering & Corruption cases, Prosecutions, International Commercial Investment Arbitration by the American University, Washington College; International Dispute Resolution by Queen Mary University of London School of Law, Transformative Leadership for implementing Public Sector Reforms in Africa, – Leadership Effectiveness and High Performing Organization, and Strategic Leadership and Governance.

Ms. Rwijage is a member of Credit and Governance and Human Resources Committees of the Board of Directors of CRDB Bank Plc.

Ms. Miranda Naiman Mpogolo

(Independent Non- Executive Director)

Ms. Miranda Naiman Mpogolo is the Founder & Managing Partner of Empower - a Tanzanian Consulting Firm that passionately provides Talent, Advisory and Insight services to clients across the African continent. She is a Forbes-acclaimed Entrepreneur who recently won the Tanzania Consumer Choice Award for 'Most Preferred Female CEO' and a Member of The Africa List – a select community of next generation CEOs in Africa's most exciting growth markets.

Miranda holds an MA Theatre & Development Studies from the University of Leeds (UK) and a BA (Hons) in Drama, Applied Theatre & Education from The Central School of Speech & Drama (UK). She is dedicated to life-long learning having attended numerous executive programmes in leadership, strategy and governance.

Miranda is Board Vice-Chair of CCBRT Hospital and is a Board Member of the African Women Entrepreneurship Cooperative that empowers hundreds of African women-entrepreneurs. She is an active member-leader of the Entrepreneurs' Organization where she serves on the Global Learning Committee.

As a reflection of her passion for Education and Youth Empowerment Miranda serves as Board Member for READ International that builds libraries in Tanzanian public schools and AIESEC; empowering young people to make a progressive social impact.

Ms Miranda is a member of Risk and Governance and Human Resources committees of CRDB Bank Plc.

At the Annual General Meeting (AGM) held on 27 June 2020, Ms. Miranda Naiman Mpogolo was elected as an Independent Non-Executive Director. Until year end, approval from BOT was still pending hence she did not serve during the year.

THE MANAGEMENT TEAM

Mr. Abdulmajid Mussa Nsekela
Chief Executive Officer and Managing Director

Mr. Abdulmajid Mussa Nsekela joined CRDB Bank Plc in October 2018, after more than a decade of service at National Microfinance Bank Plc. Before this role, Nsekela served as Chief/Head of Retail Banking at NMB Bank Plc and in other leadership positions at the bank, including as Head of Personal Banking and as Senior Manager, Personal Banking. Nsekela's career in Banking spans over twenty (20) years, covering Retail Banking, Corporate Banking, Branch Operations and Control Functions. He has immense experience in Strategic Management, Transformational Leadership and Business Turnaround Strategy.

He has successfully led teams to deliver on various key projects that have revolutionized the banking sector in Tanzania; including driving adoption of digital banking and development of financial delivery channels, through digital payment platforms. He is credited with the transformation of the retail banking infrastructure at NMB Bank and the branch network expansion.

Earlier in his career, Nsekela worked for CRDB Bank as a Bank Officer and later was selected to be part of the transition team that transformed the Bank's cultural environment. In 2000, he was promoted to Relationship Manager and 3 years later to a senior Relationship Manager.

Nsekela astuteness in business leadership has earned him key roles on various Management Boards in the United Republic of Tanzania. He is the current Chairman of Tanzania Bankers Association, an umbrella body that brings together players in the Banking industry in Tanzania.

He also serves as a council member of Tanzania National Business Council (TNBC) and the Tanzania Financial Inclusion National Council. Nsekela is an esteemed member of the boards of Tanzania Private Sector Foundation (TPSF) and Tanzania Mortgage Refinance Company Limited (TMRC).

Nsekela holds a Master's Degree in Business Administration majoring in International Banking and Finance (MBA-IBF) and a Post Graduate Diploma in Business Administration from Birmingham University. He has also attended Executive Development and Leadership program; Authentic Leader Development at Harvard Business School in Boston, Leadership and Diversity for Innovation Program at Wharton School of the University of Pennsylvania as well as Leadership Program in Management at Gordon Institute of Business Science from the University of Pretoria. He is also an alumnus of the Institute of Finance Management (IFM) with a specialty in Banking Finance

Dr. Joseph Ochien'g Witts
Chief Commercial Officer (CCO)

Mr. Bruce Mwile Mwasenga
Chief Operations Officer (COO)

Mr. Fredrick Bayona Nshekanabo
Chief Financial Officer (CFO)

Changing with the times

Our transformation agenda addresses critical issues, which we believe have a determined bearing on our future. We are firmly invested in building engines that will enable us to create shared value for all our stakeholders.

Our goal is to ensure that our investors are aligned, adequately engaged and satisfied (with our conduct and actions). We are committed to making sure that all our processes are up to standards to deliver efficiency. We also want to ensure that our commercial model is customer-focused and profitable.

In our ideal world, we want CRDB Bank to grow beyond borders by turning today's societal challenges into opportunities.

THE MANAGEMENT TEAM


Mr. John-Baptist Rugambo
Company Secretary


Mr. Alexander S. Ngusaru
Director of Treasury Capital Markets


Ms. Tully Esther Mwambapa
Director of Corporate Affairs


Mr. Prosper Nambaya
Director of Corporate Banking


Mr. James Isaack Mabula
Director of Risk and Compliance


Mr. Boma Raballa
Director of Retail Banking


Mr. Leo Ndimbo
Director of Business Transformation

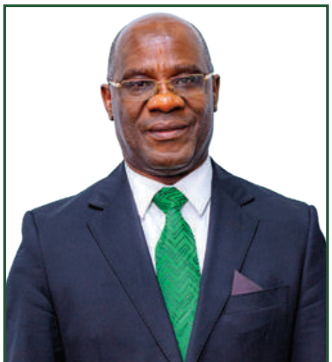

Mr. Siaophoro Kishimbo
Director of Human Resources


Mr. Pendason Philemon
Director of Procurement


Mr. Godfrey Sigalla
Director of Internal Audit


Mr. Exavery Makwi
Director of Credit


Mr. Deusdedit Massuka
Director of Information Communication Technology


Mr. Leslie Mwaikambo
Director of Banking Operations


Mr. Wilson Mnzava
Ag. General Manager, CRDB Insurance Broker Limited


Mr. Frédrick Siwale
Managing Director, CRDB Burundi SA

CORPORATE GOVERNANCE REPORT

The Board

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

The Board recognizes its collective responsibility for the long-term success of the Group. Generally, the Board meets at least eight times a year and has a formal schedule of matters reserved to it. This included overall strategy and management; corporate structure and capital structure; financial reporting and control; oversight and review of risk management and internal control systems; significant contract; and succession planning and new Board appointments for compliance with good governance principles.

The Board is confident that it consists of sufficient members with the right mix of skills, experiences and knowledge to challenge and help develop proposals on strategy and bring independent judgement on issues of performance and risk. It consists an Independent non-executive Independent Director who provides independent opinion on various matters pertaining to the Board.

The roles of the Chair, a non-executive role, and the Managing Director are separate. The Chair is responsible for the leadership and management of the Board and for ensuring that the Board and its committees function effectively. The Managing Director bears overall responsibility for the implementation of the strategy agreed by the Board, the operational management of the Company and the business enterprises connected with it. Senior Management team supports him in this.

The Senior Management team is encouraged and invited to attend board meetings to facilitate effective communication and assist the board with its deliberations and provide critical insights and analysis of various business units within the Bank. Board meetings are held on a quarterly basis to deliberate on the results of the Group.

The Board has established a policy and a set of procedures relating to Directors' conflicts of interest. In all board meetings, there's an agenda of declaration of conflict of interest, and there is a Conflict of Interest Register. None of the Directors had, during the year, a material interest, directly or indirectly, in any contract of significance with the Group.

The independence of the Board is assessed annually based on the National Board of Accountants and Auditors, Tanzania (NBAA) regulations. In addition, through the Regulator, Bank of Tanzania (BoT), all members of the board are evaluated. The Board constitute some Non-executive Directors who are members of NBAA; Certified Public Accountant CPA (T). As of year-end 2020, the Board has not received any complaints regarding their standing from NBAA being the professional body.

Appointments to the Board are made on merit, and candidates are considered against objective criteria, having due regard to the benefits of the diversity of the Board. A rigorous selection process is followed in relation to the appointment of Directors and certain specified senior appointments. Non-executive Directors are appointed for an initial three-year term and, subject to re-election by shareholders at each AGM.

Formal induction programmes are arranged for newly appointed Directors based on the individual's needs, skills and experience. They receive comprehensive guidance from the Company Secretary on the Group's corporate governance framework and associated policies, as well as their duties as Directors on the Board.

Following a period of induction, training and development is provided for each Director with the support of the Company Secretary. Non-executive Directors develop and refresh their skills and knowledge through periodic interactions and briefings with senior management of the Group's businesses and functions. During the year, Directors and the Company Secretary undertook mandatory training on a range of issues including: Certificate in Company Direction, Board master class on Governance affairs and Chartered Director (Certification).

All Non-executive Directors may seek independent professional advice in connection with their role as a Director and may have access to the advice and services of the Company Secretary.

The Board maintains regular dialogue with analysts and investors and considers it very important to inform shareholders and investors about the Bank's financial performance. The Bank strives to continuously publish all relevant information to the market in a timely, effective and non-discriminatory manner. Financial reports and stock exchange announcements are made available on the Bank's website and on the Dar es Salaam Stock Exchange website.

The Group is committed to maintaining a high standard of corporate governance. The directors also recognize the importance of integrity, transparency and accountability. During the year 2020, the Board constituted four sub-committees for improving corporate governance by delegating specific tasks from the main board to a smaller group and harnessing the contribution of non-executive directors. These sub-committees are the Audit Committee, Risk Committee, Governance and Human Resources Committee, and Credit Committee. All of these Board Committees are constituted and chaired by Non-executive directors.

Key activities of the Board during the year included: -

- Approve the approach and oversee the implementation of key policies pertaining to the Bank's capital adequacy assessment process, liquidity and funding plans.
- Oversee implementation of the Bank's governance framework and periodically review that it remains appropriate in the light of material changes to the Bank's size, complexity, geographical footprint, business strategy, markets and regulatory requirements.
- Establish, along with senior management the Bank's risk appetite, considering the competitive and regulatory landscape and the Bank's long-term interests, risk exposure and ability to manage risk effectively.
- Approved the new organisation structure and staff re-alignment as well as the new operating model.
- Diagnostic study of the Bank's ICT Framework and approve the ICT Strategy.
- Approved special investigation on the main cost drivers.

Board Structure

A board-approved policy specifies the governance principles that ensure a balance of power and authority at board level. Board composition is driven by the following principles: -

- The Board will be of an appropriate size to allow efficient decision making;
- The Chairman of the Board must be a non-executive director;
- The Chairman must not have been an executive officer of the Bank in the last three years;
- The Board must comprise non-executive directors and at least one independent director; and
- The Board should consist of directors with a broad range of expertise, skills and experiences appropriate to the Group's business from a diverse range of backgrounds.

The Board consists of sufficient members with the right mix of skills, experiences and knowledge to perform their role.

Chairman and the Group's Chief Executive Officer and Managing Director

The Chairman is a non-executive director, and the roles of Chairman and Managing Director are separate, with their responsibilities clearly defined. The Chairman is responsible for leading the Board and ensuring its effectiveness. The Managing Director is responsible for the execution of the Group's strategy, policies and the day-to-day business of the Group, supported by the management and executive committees which he chairs.

Company Secretary

The company secretary plays a leading role in good governance by helping the Board and its committees function effectively and in accordance with their terms of reference and best practice. Providing support goes beyond scheduling meetings to proactively manage the agenda and ensuring the presentation of high-quality up-to-date information in advance of meetings. The Company Secretary assists the Chairman with all development processes including board evaluation, induction and training. All Directors have access to the advice and services of the company secretary. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole.

Diversity Policy

The Board considers the diversity of views and experiences as essential for ensuring that all aspects of strategies and plans are fully considered. The combination of personalities and experience on the Board ensures that there is a balance of power that stimulates robust challenge and debate such that no individual or Group can dominate board processes or decision-making.

Board Attendance

The Board held six (6) meetings during the year. The attendance of Directors at Committee meetings is displayed within the individual committee reports.

The Directors who served during the year and their attendance at Board meetings are set out in the table below.

	Name of Director	Board	Audit Committee	Credit Committee	Governance and Human Resource Committee	Risk Committee
1	Dr. Ally H. Laay	6/6	-	-	-	-
2	Boniface C. Muhegi	6/6	-	10/10	9/9	-
3	Rose F. Metta*	6/6	-	10/10	-	4/4
4	Hosea E. Kashimba	6/6	8/8	-	-	1/4
5	Ellen G. Rwijage*	1/6	-	3/10	1/9	-
6	Prof. Neema M. Mori	6/6	-	10/10	8/9	-
7	Dr. Edwin P. Mhede*	1/6	-	-	-	1/4
8	Jes Klausby	6/6	-	-	9/9	4/4
9	Prof. Faustine K. Bee	3/6	6/8	-	-	2/4
10	Dr. Fred M. Msemwa**	6/6	-	10/10	3/9	1/4
11	Abdul A. Mohamed***	5/6	8/8	-	4/9	-
12	Martin S. Warioba **	5/6	4/8	-	3/9	4/4

*Ellen Rwijage was appointed to the Board in August 2020 hence fewer meetings.
*Dr. Edwin P. Mhede resigned in May 2020.
**Dr. Fred Msemwa attended the Governance and Human Resource committee in the 1st and 2nd quarter of 2020, thereafter was appointed to the Risk Committee.
***Abdul A. Mohamed attended the Governance and Human Resource committee in the 1st and 2nd quarter of 2020, thereafter he served only in the Audit Committee.

The Company Secretary during the year ended 31 December 2020 was Mr John-Baptist Rugambo (Tanzanian), 53 years old.

At the Annual General Meeting (AGM) held on 27 June 2020, Ms. Miranda Naiman Mpogolo was elected as an Independent Non-Executive Director. Until year end, approval from BOT was still pending hence she did not serve during the year.

Board Committees

As at 31 December 2020, the Board had four committees namely: Audit Committee, Credit Committee, Governance and Human Resources Committee and Risk Committee. The activities of the committees are governed by the respective Committee Charters which are approved by the Board. The composition of each committee is shown below:-

AUDIT COMMITTEE

Committee purpose and responsibilities

The Board Audit Committee reviews significant accounting policies and financial reporting systems to ensure that they are adequate and complied with at all times. It reviews the adequacy of internal control systems and monitors implementation of actions to address issues raised by internal auditors, external auditors and regulators.

The Committee assists the Board in evaluation and selection of external auditors at least annually. It also recommends termination of existing auditors whenever it is found that the performance is not in line with the assigned duties and responsibilities and/or there is no independence for the auditors to discharge their duties in a professional manner. The Director of Internal Audit reports directly to the Committee.

Committee composition and activities

The Board Audit Committee comprises four (4) Non-Executive Directors. The Audit Committee is responsible for overseeing the financial reporting process, ensuring that internal control systems are adequate and effective; and acting as a bridge between the external auditors and the management.

Key activities undertaken by the Audit Committee during the year include:-

- Review of the scope of 2020 annual audit plans of the external auditor and internal auditor, and oversight of the work performed by auditors throughout the year;
- Review of significant accounting, financial reporting and other issues raised by management, and the internal and external auditors;
- Review and approval of the internal auditors work plan and budget for 2020 while ensuring that it covers all high-risk areas in the Group's operations;
- Review and provide recommendations on findings observed by internal auditors, external auditors and BOT examiners to the Board; and
- Monitor implementation of actions that address areas of weakness observed by auditors and BOT examiners.

This committee met eight (8) times during the year, it comprised of the following members:

	Name	Nationality	Qualification
1	Hosea E. Kashimba	Tanzanian	MBA Corporate Management
2	Prof. Faustine K. Bee	Tanzanian	PhD in Development Studies
3	Abdul A. Mohamed	Tanzanian	BSc in Accounting & Finance
4	Martin S. Warioba	Tanzanian	MSc in Information Management

CREDIT COMMITTEE

Committee purpose and responsibilities

The main function of the Credit Committee is to monitor performance and quality of the credit portfolio, appraise and approve loans within its credit approval limit and recommend to the Board for approval facilities beyond its limit. The Committee reviews Credit Policy at least once a year and ensures that it contains sound fundamental principles that facilitate identification, measurement, monitoring and control of credit risk as well as having appropriate plans and strategies for credit risk management. The Credit Committee seeks to ensure that the quality of the Bank's asset book remains within acceptable parameters and that the business has an effective credit policy, consistent with regulatory requirements and prudent risk management practices.

Committee composition and activities

The Board Credit Committee comprises five (5) Non-Executive Directors. The committee members provide core banking and risk knowledge, together with a breadth of experience which bring knowledge from other sectors.

Key activities undertaken by the Credit Committee during the year include:-

- Review of management's strategies and activities for managing credit risk, including stress test results and compliance with underwriting standards;
- Review and assess the process for establishing the Group's allowance for credit losses;
- An ongoing critical review of the credit portfolio; asset quality and provisioning; and
- Review credit applications above management approval limit and recommend to the board for those above their limits.

This committee met ten (10) times during the year, it comprised of the following members:

	Name	Nationality	Qualification
1	Prof. Neema M. Mori	Tanzanian	PhD in International Business
2	Boniface C. Muhegi	Tanzanian	MSc Engineering
3	Ellen G. Rwijage	Tanzanian	LLM in Human Rights
4	Rose Metta	Tanzanian	MBA in Finance
5	Dr. Fred M. Msemwa	Tanzanian	PhD in Business Administration: Public Sector Audit

In addition to the above committees, there are committees on a management level comprised of senior management whose frequency of meetings is weekly, monthly and quarterly.

GOVERNANCE AND HUMAN RESOURCES COMMITTEE

Committee purpose and responsibilities

The main function of this Committee is to develop, review and enhance the Group's approach to corporate governance and human resources management practices. The Committee ensures that there is a succession plan for executives and other key positions within the Group. It is also responsible for reviewing and recommending reward strategy and annual compensation for the Board, senior management and other employees of the Group.

The committee makes general recommendations to the Board on corporate governance, including directorship practices, recruitment and retirement policies for Executives of the Group, issues arising from AGM, the functions and duties of the Committees of the Board, and any changes/issues that the Committee believes to be desirable in the matters to be covered by the Board or any of its Committees.

Committee composition and activities

The Board Governance and Human Resource Committee comprises seven (7) experienced and non-executive independent Directors.

Key Activities undertaken by the Governance and Human Resource Committee during the year include: -

- Review of and recommendation to the Board on the remuneration package for the Group CEO and other senior executives;
- Review of succession planning for management and key positions in the Group to ensure there is bench strength and plan to develop those in the talent pool;
- Assessment of the appropriateness of the size and composition of the Board and its Committees;
- Review of and recommendation to the Board on the incentives payable to senior executives based on performance and risk criteria structured to increase shareholders value; and
- Review human resource practices focusing on the areas of human capital development plans, recruitments, staff welfare, and performance management to enhance productivity.

The committee met nine (9) times during the year, it comprised of the following members:

	Name	Nationality	Qualification
1	Boniface C. Muhegi	Tanzanian	MSc Engineering
2	Jes Klausby	Danish	MSc Mathematics - Economics
3	Prof. Neema M. Mori	Tanzanian	PhD in International Business
4	Ellen G. Rwijage	Tanzanian	LLM in Human Rights
5	Martin S. Warioba	Tanzanian	MSc in Information Management
6	Dr. Fred M. Msemwa*	Tanzanian	PhD in Business Administration: Public Sector Audit
7	Abdul A. Mohamed	Tanzanian	BSc in Accounting & Finance

*Dr. Fred Msemwa attended the Governance and Human Resource committee in the 1st and 2nd quarter of 2020, thereafter was appointed to the Risk Committee.

RISK COMMITTEE

Committee purpose and responsibilities

The main function of the Risk Committee is to assist the Board in reviewing risk management strategies and policies and recommend them for approval. It provides the Board with regular assessments of the Group risk profile and monitors the implementation of risk management action plans. The Committee also reviews adequacy and effectiveness of balance sheet management and its related risks through the Asset Liability Management Committee (ALCO) reports presented by Management to the Committee every quarter.

Committee composition and activities

The Board Risk Committee comprises four (4) independent Non-Executive Directors.
At each scheduled meeting; the Risk Committee received a report from the Group Director of Risk which includes updates on risk categories identified by the Group. The Group's capital and liquidity position are reviewed on a regular basis.

Key activities undertaken by the Risk Committee during the year include:-

- Review of the Group's capital adequacy in line with the Group's strategic plan and regulatory requirements;
- Review of the Group's key risks and risk management framework and strategy as developed by management; and
- Regular review of minutes and updates of ALCO and risk committee of management to determine their effectiveness.

The committee oversees and advises on current and potential risk exposures of the Bank; the Bank's Risk Management Framework; the future risk strategy of the Bank, including strategy for capital and liquidity management and; promoting a risk awareness culture in the Bank, alongside established policies and procedures.

This committee met five times during the year, it comprised of the following members:

	Name	Nationality	Qualification
1	Jes Klausby	Danish	MSc Mathematics - Economics
2	Rose F. Metta	Tanzanian	MBA in Finance
3	Martin S. Warioba	Tanzanian	MSc in Information Management
4	Dr. Fred M. Msemwa*	Tanzanian	PhD in Business Administration: Public Sector Audit
5	Prof. Faustine K. Bee	Tanzanian	PhD in Development Studies
6	Hosea E. Kashimba	Tanzanian	MBA Corporate Management
7	Edwin P. Mhede**	Tanzanian	PhD in Development Economics

*Dr. Fred Msemwa attended the Governance and Human Resource committee in the 1st and 2nd quarter of 2020, thereafter was appointed to the Risk Committee.
** Edwin P. Mhede resigned in May 2020

Appointment of Directors

Directors of the Board are appointed in accordance with the Bank's Articles of Association and as per requirements of regulatory bodies. The Directors are elected by Shareholders at the Annual General Meetings (AGMs) in which shareholders are provided with information on the potential directors' education, qualifications, experience and other key directorship requirements before the election. When filling the vacancies, the board and shareholders take cognizance of the knowledge, skills, experience and other commitments of the candidates, as well as other attributes considered necessary for directorship.

Independence of Directors

Directors are expected to bring independent views and judgement to Board deliberations. An independent director must be independent of management and able to exercise unfettered judgement, free of any business or other association that could materially interfere with the exercise of the director's ability to act in the best interest of the Group. In assessing whether a director is independent, the Board has regard to the standards it has adopted that reflect the independence requirements of applicable laws, rules and regulations.

The Board has procedures in place to ensure it operates independently of management. This is assisted by the non-executive directors in the absence of management at each scheduled Board and Board committee meeting.

Induction and Ongoing Education

The Group appreciates the importance of a well-focused induction plan to bring business and its issues alive for a new Director, considering the specific role they have been appointed to fulfil. On appointment, Directors receive the Group's governance pack containing all relevant governance information such as governance structures, relevant legislation and policies.

Continuous professional development is an important aspect of every professional's working life, including Directors. Skills and knowledge need to be kept up-to-date to ensure the efficiency of the Board as a whole and the ability of every single Director to contribute to the highest standards. Ongoing education and training remain a focus, whereby the Directors are kept abreast of all applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments that could affect the Group and its operations.

The Chairman leads the learning and development of Directors and the Board generally and regularly reviews and agrees with each Director their training and development needs. Directors have access to a wide range of briefing and training sessions and other professional development opportunities. They undertake the training they consider necessary to assist them in carrying out their duties and responsibilities as Directors.

Topics covered in 2020 included; Empowering Board of Directors in increasing strategic business requirements, Formation of an organization culture of compliance by mastering the key to successful compliance, applying best practices of corporate governance for effective strategy implementation, building a definitive foundation for a resilient business capable of withstanding uncertainty and Designing the 'New Normal' for future boards.

Access to Independent Professional Advice

Written guidelines entitle each director to seek independent professional advice at the Bank's expense, with the prior approval of the Chairman. The Board can conduct or direct any investigations to fulfil its responsibilities and can retain, at any legal, accounting or other services that it considers necessary from time-to-time to perform its duties, all at the expense of the Bank.

Succession Planning

The Board of Directors reviews at least annually composition of the Board and its committees. This review, based on the Bank's strategic objectives, is aimed at ensuring that the Board is able to meet the current and future needs of the Group.

Retaining board members with considerable experience is seen as imperative in ensuring continuity and maintaining appropriate levels of oversight. The Board's future needs are considered on an ongoing basis to ensure adequate succession planning.

Director Resignation Policy

A director must submit a letter of resignation to the Board Chairman on a change in employment and upon accepting a directorship with another public company or any other organisation that would require a significant time commitment. A notice must be given to the Chairman of the Governance and Human Resources Committee, the Managing Director and the Company Secretary. The letter of resignation will be discussed by the Governance and Human Resources committee for further action.

Conflicts of Interest

The Board has a comprehensive procedure for reviewing and approving actual and potential conflicts of interests. All directors to disclose outside business interests before they are appointed to the Board. A person should not serve as a director if his business or permanent occupation creates permanent conflict of interest between him and the Bank, or if it is reasonable to assume that such conflict may exist permanently as outlined in the Bank of Tanzania Guidelines for Boards of Directors of Banks and Financial Institutions, 2008. Directors have a continuing duty to notify the Chairman and Company Secretary as soon as they become aware of actual or potential conflict situations.

If a significant conflict of interest with director exists and cannot be resolved, the director is expected to tender his or her resignation. In situation of conflict of interest, the bank is required to make public disclosures on shareholding and business agreement.

As of 2020, the Board has not recognized any potential conflicts.

The provision of financial services to directors by the Bank is subject to any applicable legal or regulatory restrictions. Financials services are provided to directors on arm's length terms and conditions. Refer to Note 54 – Related party transactions in the Financial Statement for further information, including details of related party dealings and transactions.

Board Effectiveness Review

The Chairman of the Board leads the annual review of the Board's effectiveness and that of its committees and Individual Directors with the support of the Human Resource and Governance committee. The board performance evaluations are facilitated annually to ensure effectiveness of the Board. The 2020 review sought the Directors' view on range of topics including; strategy, planning and performance, risk and control; Board composition and size; the Board's calendar and agenda; the quality and timeliness of information; and support for Directors and Committees.

The reviews concluded that the performance of the Board, its committees, and each director continues to be effective. All Directors have demonstrated a commitment to their roles. Most Directors commented favorably on the performance of the Board as a whole, describing it as hardworking, collegiate, questioning and highly engaged.

Directors' Remuneration

Remuneration of all directors is subject to annual review to ensure that levels of emoluments and compensation are appropriate. The non-executive directors are not eligible for pension scheme membership and are not part of Bank's remuneration scheme.

Information on aggregate amounts of the emoluments and fees paid during the year to directors in comparison to previous year is disclosed below: -

		In TZS Million
Name	**2020**	**2019**
Dr. Ally H. Laay	**76**	69
Boniface C. Muhegi	**78**	70
Rose F. Metta	**71**	64
Madren N. Oluoch-Olunya	**-**	14
Hosea E. Kashimba	**65**	64
Ebenezer N. Essoka	**-**	58
Prof. Mohamed H. Warsame	**-**	16
Prof. Neema M. Mori	**81**	73
Charles E. Kichere	**-**	64
Edwin P. Mhede	**13**	-
Ellen G. Rwijage	**27**	-
Jes Klausby	**71**	64
Apollo B. Temu	**-**	14
Prof. Faustine K. Bee	**58**	58
Abdul A. Mohamed	**58**	29
Dr. Fred M. Msemwa	**71**	32
Martin S. Warioba	**65**	-
Abdulmajid M. Nsekela**	**-**	-
TOTAL	**733**	689

**Mr. Abdulmajid Nsekela (Managing Director) is ex-officio member who is paid monthly salary by the Bank. This is part of key management remuneration disclosed under section 12.

Remuneration Policies

In determining the remuneration to be paid to the non-executive directors, the Bank uses its remuneration policies. Management usually sends a proposal of the fees to be paid to the non-Executive directors by showing the percentage increase and reasons for the increase and forward the proposal to the Board before final approval to the Annual General Meeting.

Compensation of Key Management Personnel

On annual basis, the Board reviews and approves compensation of key management personnel. The remuneration of key management personnel during the year was TZS 10,828 million (2019: TZS 9,844 million).

Ethical Behaviour and Organization Integrity

The Group's corporate governance structure involves managing and controlling relationships amongst different stakeholders including shareholders, Board of Directors, employees, customers, suppliers and the community at large. Additionally, the corporate governance is also about commitment to values and ethical business practices as enshrined in the CRDB Code of Ethics which governs all its business interactions and relationships to stakeholders.

Insider Trading

The Bank has an Insider Trading policy providing guidance on the conduct of insiders in the trading of its shares. Insiders are allowed to trade three days after disclosure of quarterly, annual financial results and any other material information for a period of three weeks. Risk and Compliance Department is responsible for monitoring Compliance to this Policy.

Whistle Blower Protection

The Group has a Whistle-blower Protection Program for confidential reporting of unacceptable or undesirable conduct. The system enables disclosures to be made to a protected disclosure officer by the Group's employees. The Group does not tolerate incidents of fraud, corrupt conduct, bribery and adverse behaviour, and legal or regulatory non-compliance. Employees are encouraged to raise any issue involving illegal, unacceptable or inappropriate behaviour or any issue they believe could have a material impact on the Group's profitability, reputation, governance or regulatory compliance.

Relationship with stakeholders

In fulfilling their responsibilities, the Directors believe that they govern the Group in the best interests of shareholders, whilst having due regard to the interests of other stakeholders in the Group including customers, employees, regulators and suppliers. The Management communicates regularly with major shareholders and potential investors throughout the year by participating in investor presentations and shareholders' meetings. Feedback from these meetings is reported to the Board.

Generally, the Group continues to maintain a good relation with all Stakeholders. Shareholders are encouraged to attend the AGM, or appoint proxies to represent them in case they fail to attend. The Bank has a standing agenda in the AGM which allows the shareholders to contribute their ideas on issues to be discussed during the meetings.

There is a dedicated Registrar Office under Corporate Affairs Department to handle shareholders issues immediately as they arise such as payment of dividends, transfer of shares and shareholding matters in general. In addition, there is an Investor Relations Unit which is responsible for providing information to both existing and prospective investors.

MANAGEMENT

Management Team

Management structure of the Bank was transformed and some departments and business units were renamed during the year with a view to enhance service delivery and productivity. The Managing Director who is the Chief Executive Officer is flanked by the Chief Commercial Officer, Chief Operations Officer and the Chief Finance Officer who report directly to him. The Company Secretary, Director of Risk and Compliance, Director of Business Transformation, Director of Corporate Affairs also report directly to the Managing Director.

The Chief Operations Officer (COO) oversees, Banking Operations, Information and Communication Technology, Real Estate and Facility Management, Security and Business Continuity Management and Project Management.

The Chief Commercial Officer (CCO) administers Retail Banking and Alternative Banking Channels, Corporate Banking; Marketing, Research and Customer Service; and Treasury and Capital Market departments; which are headed by Directors. The Director of Internal Audit reports directly to the Board through the Board Audit Committee. The Chief Finance Officer is in charge of Finance Department.

Management Committees

Management of CRDB Bank has six (6) committees playing various roles in overseeing operations of the Bank and implementation of strategies and policies.

Executive Committee

The committee is composed of Managing Director who is the Chairman, Chief Commercial Officer (CCO, Chief Operations Officer (COO), Chief Finance Officer, all Directors reporting directly to him and General Managers for CRDB Bank Burundi and CRDB Microfinance.The Executive Committee meets at least once per quarter to discuss and review the effectiveness of the Bank's strategies and policies.

The main objective of the Executive Committee is to provide leadership to the Group and ensure efficient deployment and management of the Bank's resources. Other functions of the Committee include:

a) Develop and periodically review policies for Board approval
b) Oversee implementation and monitor the Bank's corporate vision, strategies, and business plans
c) Formulate the Bank's overall strategy and financial targets that are to be agreed with individual business, departments and approved by the Board
d) Monitor performance against the business strategy of the Bank and taking appropriate actions to ensure attainment of the goals;

e) Review viability of any acquisition or establishment of any new business or disposal of any business within its mandate or for board approval;
f) Review and recommend the annual budget to the Board for approval.

Management Committee

The committee chaired by the Managing Director is composed of Chief Commercial Officer (CCO), Chief Operations Officer (COO), Chief Finance Officer (CFO), All Directors and General Managers. The Committee is responsible for reviewing and monitoring implementation of operational plans to ensure timely identification of challenges and issues that might affect the achievement of targets for remedial action. It meets at least once in a month.

Asset Liability Management Committee
The committee is composed of Managing Director, Chief Commercial Officer (CCO), Chief Operations Officer (COO), Chief Finance Officer (CFO) and all directors from Operations and Customer Service (business), Director of Risk and Compliance and Director of Business Transformation. The Committee meets at least monthly and may hold extraordinary meetings on the occasion of exceptional events requiring immediate decision making. The Committee is responsible for:-

a) Managing the balance sheet to ensure proper allocation of resources to achieve performance targets;
b) Reviewing the current and prospective liquidity positions and monitoring alternative funding sources to ensure adequate liquidity is maintained at all times;
c) Reviewing the current and prospective capital levels (risk based) to determine its adequacy in relation to expected growth and asset quality;
d) Reviewing the monthly performance against established targets/projections and budgets and analyzing the reasons for any variances for timely actions;
e) Measuring and monitoring investment risk of the Group on an ongoing basis and ensuring a quality portfolio of assets is maintained within the limits set by the Board and Bank of Tanzania regulations.

Credit Committee

The Committee meets at least once in a week. The Committee has the following duties:-

a) Review and recommend for approval credit applications that are above the approving authority of the Deputy Managing Director;
b) Monitor and evaluate weekly turnaround and recovery reports and provide guidance on the actions to be taken to maintain a quality loan portfolio;
c) Review at least quarterly loan portfolio performance trend, exposure against limits and compliance to Bank policies and Bank of Tanzania regulations.

Risk Committee

Management Risk Committee oversees risk management practices in the Group. The Committee meets monthly under the Chairmanship of the Managing Director and is attended by all Heads of Departments. The main responsibilities of the Committee are:-

a) Implementing strategies and policies of the Board on risk management;
b) Monitoring risk exposures through key risk indicators and deliberate on the actions to mitigate them;
c) Implementing systems to measure monitor and control risk together with regular reporting to the Board and its risk Committee on the level of exposure to various risks and implemented/ proposed mitigation strategies.

Tender Committee

The Committee is responsible for oversight of the tender process in the Bank as delegated by the Managing Director. The main duties of the Committee include identification of competent suppliers, contractors and consultants as required, oversight of procurement processes from the tender up to evaluation stage and recommend the tender results to the Managing Director for the final award.

BY ORDER OF THE BOARD

Dr. Ally H. Laay
Chairman

30 March 2021
Date

Financial Statements

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1 INTRODUCTION

The Directors have the pleasure to submit their report and the audited financial statements for the year ended 31 December 2020, which disclose the state of affairs of CRDB Bank Plc ("the Bank") and its subsidiaries, CRDB Bank Burundi S.A. and CRDB Insurance Broker Limited (together "the Group").

2 INCORPORATION

The Bank was incorporated in the United Republic of Tanzania in 1996 under the Companies Act No.12 of 2002 as a Public Company limited by shares with registration number 30227. The Bank was listed on the Dar es Salaam Stock Exchange on 17 June 2009 and has established two wholly owned subsidiaries namely CRDB Insurance Broker Limited, and CRDB Bank Burundi S.A. incorporated in the Republic of Burundi in 2012.

3 VISION

To be the leading bank, which is customer need driven with competitive returns to shareholders.

4 MISSION

To provide competitive and innovative financial solutions through digital transformation, to achieve distinctive customer experience, while caring for our people, and delivering a sustainable contribution to the society.

5 PRINCIPAL ACTIVITIES

The Bank is licensed in Tanzania under the Banking and Financial Institutions Act, 2006. The Bank's subsidiary, CRDB Bank Burundi S.A is a licensed bank in Burundi under the Banks and Financial Institutions Act, 2003 of Burundi. The principal activity of the Bank and its subsidiary CRDB Bank Burundi S.A is the provision of banking services and CRDB Insurance Broker Limited is engaged in providing insurance brokerage Services.

The Group offers a comprehensive range of corporate and retail banking services as well as microfinance services through a network of 243 branches including franchised and mobile branches, 560 ATMs, 4,584 Point of Sales (POS) terminals, 17,031 Agents (CRDB Wakala), 385 E-commerce merchants, mobile and internet banking.

The Bank provides a wide range of products which suit the needs of different segments in the market, through our business divisions namely Retail, Corporate, Treasury, Insurance, and Microfinance. We are transforming our digital presence, providing simpler, seamless interactions through digital platforms while sustaining extensive customer reach through our leading branch network by offering digital solutions including Simbanking, Internet banking, Point-Of-Sale (POS) machines and Agency banking (Fahari-Huduma).

6 COMPOSITION OF THE BOARD OF DIRECTORS

As of 31 December 2020, the Board of Directors "the Board" comprised twelve Directors - Eleven Non- executive Directors and the Managing Director who is an Ex-officio member.

The directors who served during the year are:

Name	Position	Age	Nationality	Date of Appointment/ Resignation
Dr. Ally H. Laay	Chairman	64	Tanzanian	Re-appointed May 2019
Abdulmajid M. Nsekela	Managing Director, Ex Officio	49	Tanzanian	Appointed October 2018
Prof. Neema M. Mori	Independent, Non-executive Director	42	Tanzanian	Re-appointed June 2020
Martin S. Warioba	Independent, Non-executive Director	43	Tanzanian	Appointed December 2019
Ellen G. Rwijage	Independent, Non-executive Director	37	Tanzanian	Appointed August 2020
Rose F. Metta	Non-executive Director	51	Tanzanian	Re-appointed May, 2018
Jes Klausby	Non-executive Director	65	Danish	Re-appointed July 2020
Boniface C. Muhegi	Non-executive Director	66	Tanzanian	Re-appointed May 2019
Hosea E. Kashimba	Non-executive Director	50	Tanzanian	Re-appointed August 2020
Prof. Faustine K. Bee	Non-executive Director	61	Tanzanian	Appointed September 2018
Dr. Fred M. Msemwa	Non-executive Director	48	Tanzanian	Appointed June 2019
Abdul A.Mohamed	Non-executive Director	30	Tanzanian	Appointed July 2019
Dr. Edwin P. Mhede	Non-executive Director	42	Tanzanian	Appointed January 2020 and resigned May 2020

The Company Secretary during the year ended 31 December 2020 was Mr John-Baptist Rugambo (Tanzanian), 53 years old.

At the Annual General Meeting (AGM) held on 27 June 2020, Ms. Miranda Naiman Mpogolo was elected as an Independent Non-Executive Director. Until year end, approval from BOT was still pending hence she did not serve during the year.

7 CORPORATE GOVERNANCE

The Board of Directors

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

The Board recognizes its collective responsibility for the long-term success of the Group. Generally, the Board meets at least eight times a year and has a formal schedule of matters reserved to it. This includes overall strategy and management; corporate structure and capital structure; financial reporting and control; oversight and review of risk management and internal control systems; significant contracts; and succession planning and new Board appointments for compliance with Good Corporate Governance principles.

The Board is confident that it consists of sufficient members with the right mix of skills, experiences and knowledge to challenge and help develop proposals on strategy and bring independent judgement on issues of performance and risk. It consists independent non-executive Directors who provides independent opinion on various matters pertaining to the Board.

The roles of the Chair, a non-executive role, and the Managing Director are separate. The Chair is responsible for the leadership and management of the Board and for ensuring that the Board and its committees function effectively. The Managing Director bears overall responsibility for the implementation of the strategy agreed by the Board, the operational management of the Company and the business enterprises connected with it. Senior Management team supports him in this.

The Senior Management team is encouraged and invited to attend board meetings to facilitate effective communication and assist the board with its deliberations and provide critical insights and analysis of various business units within the Bank. Board meetings are held on a quarterly basis to deliberate on the results of the Group.

7 CORPORATE GOVERNANCE (CONTINUED)

The Board of Directors (continued)

The Board has established a policy and a set of procedures relating to Directors' conflicts of interest. In all board meetings, there's an agenda of declaration of conflict of interest, and there is a Conflict of Interest Register. None of the Directors had, during the year, a material interest, directly or indirectly, in any contract of significance with the Group.

The independence of the Board is assessed annually based on the National Board of Accountants and Auditors, Tanzania (NBAA) regulations. In addition, through the Regulator, Bank of Tanzania (BoT), all members of the board are evaluated. The Board constitute some Non-executive Directors who are members of NBAA; Certified Public Accountant CPA (T). As of year-end 2020, the Board has not received any complaints regarding their standing from NBAA being the professional body.

Appointments to the Board are made on merit, and candidates are considered against objective criteria, having due regard to the benefits of the diversity of the Board. A rigorous selection process is followed in relation to the appointment of Directors and certain specified senior appointments. Non-executive Directors are appointed for an initial three-year term and, subject to re-election by shareholders at each AGM.

Formal induction programmes are arranged for newly appointed Directors based on the individual's needs, skills and experience. They receive comprehensive guidance from the Company Secretary on the Group's corporate governance framework and associated policies, as well as their duties as Directors on the Board.

Following a period of induction, training and development is provided for each Director with the support of the Company Secretary. Non-executive Directors develop and refresh their skills and knowledge through periodic interactions and briefings with senior management of the Group's businesses and functions. During the year, Directors and the Company Secretary undertook mandatory training on a range of issues including: Certificate in Company Direction, Board master class on Governance affairs and Chartered Director (Certification).

All Non-executive Directors may seek independent professional advice in connection with their role as a Director and may have access to the advice and services of the Company Secretary.

The Board maintains regular dialogue with analysts and investors and considers it very important to inform shareholders and investors about the Bank's financial performance. The Bank strives to continuously publish all relevant information to the market in a timely, effective and non-discriminatory manner. Financial reports and stock exchange announcements are made available on the Bank's website and on the Dar es Salaam Stock Exchange website.

The Group is committed to maintaining a high standard of corporate governance. The directors also recognize the importance of integrity, transparency and accountability. During the year 2020, the Board constituted four sub-committees for improving corporate governance by delegating specific tasks from the main board to a smaller group and harnessing the contribution of non-executive directors. These sub-committees are the Audit Committee, Risk Committee, Governance and Human Resources Committee, and Credit Committee. All these Board Committees are constituted and chaired by Non-executive directors.

The table below shows the number of Board and Committee meetings held during the year and the attendance by directors:

Audit Committee

The Audit Committee is responsible for overseeing the financial reporting process, ensuring that internal control systems are adequate and effective; and acting as a bridge between the external auditors and the management.

This committee met eight (8) times during the year, it comprised of the following members:

	Name	Nationality	Qualification
1	Hosea E. Kashimba	Tanzanian	MBA Corporate Management
2	Prof. Faustine K. Bee	Tanzanian	PhD in Development Studies
3	Abdul A. Mohamed	Tanzanian	BSc in Accounting & Finance
4	Martin S. Warioba	Tanzanian	MSc in Information Management

7 CORPORATE GOVERNANCE (CONTINUED)

Governance and Human Resources Committee

The Committee is responsible for ensuring that the Board remains balanced, both in terms of skills and experience, and between executive and non-executive Directors. It leads the process for appointments to the Board, and make recommendations to the Board, ensuring there is a formal, rigorous and transparent procedure. It also decides on recruitment at senior levels based on responsibilities and remuneration of management staff and directors.

This committee met nine (9) times during the year, it comprised of the following members:

	Name	Nationality	Qualification
1	Boniface C. Muhegi	Tanzanian	MSc Engineering
2	Jes Klausby	Danish	MSc Mathematics - Economics
3	Prof. Neema M. Mori	Tanzanian	PhD in International Business
4	Abdul A. Mohamed	Tanzanian	BSc in Accounting & Finance
5	Ellen G. Rwijage	Tanzanian	LLM in Human Rights
6	Martin S. Warioba	Tanzanian	MSc in Information Management
7	Dr. Fred M. Msemwa	Tanzanian	PhD in Business Administration: Public Sector Audit

Risk committee

The committee oversees and advises on current and potential risk exposures of the Bank; the Bank's Risk Management Framework; the future risk strategy of the Bank, including strategy for capital and liquidity management and; promoting a risk awareness culture in the Bank, alongside established policies and procedures.

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

	Name	Nationality	Qualification
1	Jes Klausby	Danish	MSc Mathematics - Economics
2	Rose F. Metta	Tanzanian	MBA in Finance
3	Martin S. Warioba	Tanzanian	MSc in Information Management
4	Dr. Fred M. Msemwa	Tanzanian	PhD in Business Administration: Public Sector Audit
5	Prof. Faustine K. Bee	Tanzanian	PhD in Development Studies
6	Hosea E. Kashimba	Tanzanian	MBA Corporate Management
7	Edwin P. Mhede*	Tanzanian	PhD in Development Economics

*Edwin P. Mhede resigned in May 2020

Credit Committee

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

This committee met ten (10) times during the year, it comprised of the following members:

	Name	Nationality	Qualification
1	Prof. Neema M. Mori	Tanzanian	PhD in International Business
2	Boniface C. Muhegi	Tanzanian	MSc Engineering
3	Ellen G. Rwijage	Tanzanian	LLM in Human Rights
4	Rose Metta	Tanzanian	MBA in Finance
5	Dr. Fred M. Msemwa	Tanzanian	PhD in Business Administration: Public Sector Audit

In addition to the above committees, there are committees on a management level comprised of senior management whose frequency of meetings is weekly, monthly and quarterly.

7 CORPORATE GOVERNANCE (CONTINUED)

Performance evaluation and reward

The Group's performance and reward approach ensures remuneration structures are balanced and is designed to drive sustainable performance, by ensuring that reward programmes support our business strategy and are both supportive of, and aligned to, sound remuneration practices. Individual reward and incentives are linked directly to the performance and behaviour of the employee, the performance of their respective business units and the interests of shareholders. Details on the remuneration of the key management personnel are disclosed in Note 54 to the financial statements.

Ethical behaviour

We are committed to high standards of ethical behaviour and operate a zero-tolerance approach to bribery and corruption, which we consider unethical and contrary to good corporate governance. The Bank has strong whistle blowing policies and procedures in place which staff are periodically trained on as part of induction and ongoing development. It is the utmost responsibility of all staff within the Bank to comply with the Group's Code of Conduct.

Business ethics and organisational integrity

The Group's code of conduct embodies its values and reflect its commitment to operating responsibly and ethically with high standards of integrity. It provides a comprehensive description of the employees' responsibilities towards customers, other employees, business and the society. The code of conduct is designed to empower employees and enable effective decision making at all levels of our business according to defined ethical principles.

Risk management and Internal control

The Board ensures that the Bank has sound risk management and an internal control system that is appropriate to its activities. The risk management and internal control systems are based on the Bank's corporate values, ethics guidelines and principles for sustainability and corporate social responsibility ("CSR"). It is the responsibility of the Management to ensure that adequate internal control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- Operational effectiveness and efficiency;
- Safeguarding of the Group's assets;
- Reliability of accounting records;
- Responsible behaviours towards all stakeholders
- Compliance with applicable laws and regulations; and
- Business continuity.

In order to ensure the internal controls remain adequate, the Bank has a fully-fledged Risk and Compliance function that coordinates and oversees the implementation of enterprise-wide risk management framework within the Group. The audit committee on behalf of the Board assess issues related to financial review and internal control, and the external audit of Group's accounts.

The Board ensures that the Bank is capable of producing reliable annual reports and that the external auditor's recommendations are given thorough consideration. During the year 2020, internal control systems were assessed by the Board and was found to be at an acceptable level.

Principal risks and uncertainties

CRDB is exposed to the following principal risks and uncertainties according to the nature of the business:

Credit risk

The risk that arises from unmet customer obligations, either willingly or unwillingly which results in economic loss to the Bank. At management level, the Loan Quality Committee and Management Audit and Risk Committee govern this risk whereas at the Board level the Credit Committee of the Board provides an overall oversight and advice the Board on all matters relating to Credit risk.

Strategic risk

Refers to current and prospective impact on earnings and capital arising from adverse long-term business decisions, improper implementation or execution of decisions and/or strategies, or lack of responsiveness to industry changes. At the management level, the Executive Committee (EXCO) with the Board responsible for an oversight role governs this risk.

7 CORPORATE GOVERNANCE (CONTINUED)

Principal risks and uncertainties (continued)

Operational risk

Refers to risk of loss resulting from inadequate or failed internal processes, people and system or from external events. At management level, the Operational Risk Committee and the Management Audit and Risk Committee govern this risk whereas at the Board, the Risk Committee Board provides an oversight role.

Liquidity risk

This risk arises from Bank's inability to meet its obligations as they fall due or to fund increases in assets without incurring unacceptable costs or losses. At the management level, this risk is governed by the Asset Liability Committee (ALCO) whereas at the Board the Risk Committee of the Board provides an oversight role.

Market risk

Refers to the risk of losses from on and off-balance sheet positions as a result of adverse changes in market prices, i.e. interest rates, foreign exchange rates, equity prices and commodity prices at the management level, this risk is governed by the Asset Liability Committee (ALCO) whereas at the Board, the Risk Committee of the Board provides an oversight role.

Compliance Risk

Refers to current or prospective risk to earnings and capital arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices, or ethical standards, as well as from the possibility of incorrect interpretation of effective laws or regulations. Management Audit & Risk Committee and Board have oversight responsibility around Compliance Risk Management for the Bank.

Financial reporting and auditing

The Bank publishes its quarterly financial statements within thirty days after the end of the quarter and publishes the annual audited financial statements within fifteen days after approval of the Board but not later than one hundred and five days after the end of the financial year as required by the "Banking and Financial Institutions (Disclosures) Regulations, 2014". Copies of the Bank's last audited financial statements are exhibited in the Bank's branches, website and the annual report made available to public two weeks prior to the AGM.

The Directors are responsible for preparing the Annual Report, including the Consolidated and Parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRS) as comply with the Companies Act 2002. In preparing these financial statements, the Directors are required to:

- Adopt the going concern basis unless it is inappropriate to do so;
- Select suitable accounting policies and then apply them consistently; and
- Make judgements and accounting estimates that are reasonable and prudent

The external auditor presented the result of the audit to the audit committee and the Board in the meeting dealing with the annual financial statements, including presenting any material changes in the Bank's accounting principles and significant accounting estimates, and reported on whether the financial statements give a true and fair view of the state of affairs of the Group.

8 COMPANY SECRETARY

The company secretary plays a leading role in good governance by helping the Board and its committees function effectively and in accordance with their terms of reference and best practice. Providing support goes beyond scheduling meetings to proactively manage the agenda and ensuring the presentation of high-quality up-to-date information in advance of meetings. The Company Secretary assists the Chairman with all development processes including board evaluation, induction and training. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole.

9 REMUNERATION POLICIES

The Group has in place policies and procedures to determine the remuneration of directors, which considers the demands, complexities and performance of the company. Management periodically prepares a proposal for fees and other emoluments to be paid to directors. Proposals include benchmark against similar companies or the industry, market realities, the need to attract and retain skilled, experienced directors to drive the business. The same is forwarded to the Annual General Meeting (AGM) for final approval.

10 DIRECTORS' REMUNERATION

Remuneration of all directors is subject to annual review to ensure that levels of emoluments and compensation are appropriate. The non-executive directors are not eligible for pension scheme membership and are not part of Bank's remuneration scheme.

Information on aggregate amounts of the emoluments and fees paid during the year to directors in comparison to previous year is disclosed below: -

Name	2020 TZS Million	2019 TZS' Million
Dr. Ally H. Laay	**76**	69
Boniface C. Muhegi	**78**	70
Rose F. Metta	**71**	64
Madren N. Oluoch-Olunya	**-**	14
Hosea E. Kashimba	**65**	64
Ebenezer N. Essoka	**-**	58
Prof. Mohamed H. Warsame	**-**	16
Prof. Neema M. Mori	**81**	73
Charles E. Kichere	**-**	64
Edwin P. Mhede	**12**	-
Ellen G. Rwijage	**27**	-
Jes Klausby	**71**	64
Apollo B. Temu	**-**	14
Prof. Faustine K. Bee	**58**	58
Abdul A. Mohamed	**58**	29
Dr. Fred M. Msemwa	**71**	32
Martin S. Warioba	**65**	-
Abdulmajid M. Nsekela*	**-**	-
TOTAL	**733**	**689**

*Mr. Abdulmajid Nsekela (Managing Director) is ex-officio member who is paid a monthly salary by the Bank. This is part of key management remuneration disclosed under section 12.

11 MANAGEMENT

The Bank's executive office consists of the Managing Director who is the Chief Executive Officer is flanked by the Chief Commercial Officer, Chief Operations Officer and the Chief Finance Officer who report directly to him. They oversee various functions via Directors of departments within the Bank. The Bank is organized in the following functions:

- Financial;
- Credit;
- Risk and Compliance;
- Treasury and Capital Markets;
- Internal Audit;
- Human Resources;
- Procurement;
- Information and Communication Technology;
- Banking Operations;
- Retail Banking;
- Corporate Banking;
- Business Transformation; and,
- Corporate Affairs.

12 KEY MANAGEMENT PERSONNEL

The key management personnel who served during the year, and to date of this report, were:

Name	Position
Abdulmajid Nsekela	Managing Director & Chief Executive Officer
Dr. Joseph Witts	Chief Commercial Officer
Bruce Mwile	Chief Operations Officer
Frederick Nshekanabo	Chief Financial Officer
Alex Ngusaru	Director of Treasury and Capital Markets
Pendason Philemon	Director of Procurement
Godfrey Sigalla	Director of Internal Audit
Boma Riballa	Director of Retail Banking
Leslie Mwaikambo	Director of Banking Operations
Siaophoro Kishimbo	Director of Human Resources
James Mabula	Director of Risk and Compliance
Tully-Esther Mwambapa	Director of Corporate Affairs
Exavery Makwi	Director of Credit
Deusdedit Massuka	Director of Information, Communication and Technology
Prosper Nambaya	Director of Corporate Banking
Leo Ndimbo	Director of Business Transformation
Menard Bucumi	Ag. General Manager – CRDB Bank Burundi (subsidiary)
Wilson Mnzava	Ag. General Manager – CRDB Insurance Company Ltd (subsidiary)

Compensation of Key Management Personnel

On annual basis, the Board reviews and approves compensation of key management personnel. The remuneration of key management personnel during the year was TZS 10,828 million (2019: TZS 9,844 million).

13 CAPITAL STRUCTURE

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

Authorized

4,000,000,000 ordinary shares of TZS 25 each

Issued and fully paid

2,611,838,584 ordinary shares of TZS 25 each

Details of the capital structure are disclosed under Note 48 in the notes to the financial statements.

14 SHAREHOLDERS OF THE BANK

The Bank's Articles of Association recognize three categories of shareholders, namely shareholders holding 10% or more of the total paid up shares, shareholders holding between 1% and 10% of the total paid up shares and shareholders holding less than 1%. As at the end of the year, the shareholding of these three Groups was as follows:

Group Shareholding

Shareholding Group	2020		2019	
	No. of shares	%	No. of shares	%
10% and more	**894,828,676**	**34.3**	894,828,676	34.3
1% to less than 10%	**693,385,077**	**26.5**	705,460,126	27.0
Less than 1%	**1,023,624,831**	**39.2**	1,011,549,782	38.7
Total	**2,611,838,584**		2,611,838,584	

Companies Shareholding

Shareholders holding 1% or more of the total paid up capital as at 31 December 2020 are listed here under:

Shareholders	2020		2019	
	No. of shares	%	No. of shares	%
DANIDA Investment Fund	**548,067,648**	**21.0**	548,067,648	21.0
PSSSF Pension Fund	**346,761,028**	**13.3**	346,761,028	13.3
National Social Security Fund - Uganda	**196,456,402**	**7.5**	130,000,000	5.0
Kimberlite Frontier Master Africa Fund LP RCKM	**113,050,049**	**4.3**	113,050,049	4.3
Aunali F. Rajabali and Sajjad F. Rajabali	**66,921,350**	**2.6**	82,499,999	3.2
CDC Group Plc/Re: IFC/AfCap	**-**	**-**	66,456,402	2.5
Patrick Schegg	**50,754,057**	**1.9**	50,754,057	1.9
Change Global Frontier Market, PL Fund-CGPA	**48,066,540**	**1.8**	48,066,540	1.8
Duet Africa Opportunities Master Fund IC	**37,583,840**	**1.4**	37,583,840	1.4
Hans Aingaya Macha	**32,764,200**	**1.3**	32,764,200	1.3
National Health Insurance Fund	**32,040,040**	**1.2**	32,040,040	1.2
Western Zone Tobacco Cooperative Union (WETCU)	**24,000,000**	**0.9**	30,000,000	1.2
CMG Investment Limited	**29,330,971**	**1.1**	29,330,971	1.1
Abbas Export Ltd.	**37,000,000**	**1.4**	27,500,000	1.1
Mehar Singh Virdi	**25,417,628**	**1.0**	25,414,028	1.0
Total	**1,588,213,753**	**60.8**	1,600,288,802	61.3

The total number of shareholders by end of 2020 stood at 30,143 (2019: 30,023 shareholders).

14 SHAREHOLDERS OF THE BANK (CONTINUED)

Directors Shareholding

Shareholders holding by the members of the Board as at 31 December 2020 are listed here under:

Name	Status	Number of shares
Dr. Ally H. Laay	Chairman	28,812
Abdulmajid M. Nsekela	Managing Director	134,600
Prof. Neema M. Mori	Non-executive Director	118,084
Rose F. Metta	Non-executive Director	26,796
Jes Klausby	Non-executive Director	-
Boniface C. Muhegi	Non-executive Director	2,241,352
Hosea E. Kashimba	Non-executive Director	64,875
Prof. Faustine K. Bee	Non-executive Director	41,536
Dr. Fred M. Msemwa	Non-executive Director	12,612
Abdul A.Mohamed	Non-executive Director	2,450
Martin S. Warioba	Independent Non-executive Director	-

15 STOCK EXCHANGE LISTING INFORMATION

The Bank is a public listed company on the Dar es Salaam Stock Exchange. The share price as at 31 December 2020 was TZS 225 (2019: TZS 95). Market capitalization as at 31 December 2020 was TZS 587.66 billion (2019: TZS 248.12 billion).

16 MACRO-ECONOMIC OVERVIEW

Tanzania has sustained relatively high economic growth over the last decade, averaging 6-7% a year. The medium-term outlook is positive, with growth projected at 5% in 2020/21, supported by large infrastructure spending, making it one of the 20 fastest growing economies in the world and beating the Sub-Saharan Africa average GDP growth rate of 4.4% during the same period. The annual inflation rate dropped to 3.2% in December 2020 compared with 3.8% recorded last year same period.

The average GDP growth forecast for Tanzania is supported by:

- Improvement and stability in power supply mainly from natural gas, which is expected to boost performance of other sectors including manufacturing and trade.
- Revival of the central railway line in standard gauge.
- Increase in the capacity and efficiency of the Dar es Salaam and Tanga Ports.
- Increase in financial deepening.
- Implementation of economic policies under the Five-Year Development Plan II (FYDP II).
- Scaling-up of onshore gas production and construction of oil pipeline from Uganda to Tanzania.

At a glance, 2020 has been a challenging year, not only for the Group, but also the industry at large, and global markets as well. The banking landscape has encountered challenges stemming from the impacts of COVID-19 pandemic which has created great instability and high volatility in global capital markets. In Tanzania, some of the immediate impact of the pandemic included the following;

- Disruption of supply chain whereby there were delays in the delivery of supplies by suppliers who are based outside the country
- Exports of manufacturing and agricultural goods have slumped
- Tourism has halted
- Dampening of private domestic demand and deterioration of domestic business conditions
- Economic Growth Slowdown experienced by Tanzania's main trade partners has resulted into reduced demand and prices for agricultural commodities.

16 MACRO-ECONOMIC OVERVIEW (CONTINUED)

As a country considering the measures taken by the Government's of Tanzania, decision to keep the economy open, shielded the business to a large extent as our local customers continued with their economic activities. There is insignificant impact of the COVID-19 pandemic in the country and believes will not cause further disruptions to the economic activities.

17 FINANCIAL PERFOMANCE FOR THE YEAR

Financial Performance

Group

CRDB Bank remains to be the largest commercial Bank in Tanzania with a leading share of total deposits (22%) and total assets (20%) in the market. During the year, the Group's total asset grew 9% to TZS 7,170.5 billion (2019: TZS 6,597.2 billion) whereas customer deposits increased by 5% to TZS 5,434.6 billion (2019: TZS 5,202.2 billion). Loans and advances to customers increased by 16% from TZS 3,382.0 billion in 2019 to TZS 3,929.1 billion in 2020. Innovative products and services that were offered to the public contributed such positive trend.

In 2020 the Group recorded a profit before tax of TZS 236.2 billion (2019: TZS 174.7 billion), an increase of 35% from the previous year. During the year, interest income increased from TZS 646.1 billion recorded in 2019 to TZS 699.3 billion in 2020, an increase of 8%. The interest expenses increased from TZS 117.0 billion in the prior year to TZS 118.8 billion, an increase of 2%. Combined with commissions and fees, total non-interest income increased from TZS 236.8 billion to TZS 265.1 billion, an increase of 12%.

Operating cost increased by 4% from TZS 481.5 billion in 2019 to TZS 499.5 billion in 2020. Cost management and digital transformation initiatives show positive trend towards cost containment.

CRDB Bank Burundi S.A.

During the year under review, CRDB Bank Burundi made a remarkable 76% growth of post-tax profit from TZS 6.3 billion recorded in 2019, up to TZS 11.2 billion in 2020. Financial spread grew by 39% to TZS 20.7 billion from TZS 14.9 billion recorded in 2019. Mainly due to growth in the Treasury bonds portfolio and decline in Borrowings. Total deposits increased by 45% to TZS 201.3 billion compared to TZS 138.4 billion recorded in 2019. Total assets grew by 36% to TZS 351.8 billion from TZS 258.2 billion recorded in 2019.

CRDB Insurance Broker Company Limited

During the year ended 31 December 2020 the Company made a profit after tax of TZS 3.6 billion compared to TZS 1.5 billion recorded in 2019, representing an annual growth of 143%. Commission income earned is TZS 8.2 billion against TZS 6.3 billion recorded in 2019 which represents 30% annual growth, the increase was mainly attributed to increase in the premiums underwritten. Total assets of the Company increased to TZS 8.0 billion in 2020 compared to 5.1 billion in 2019, representing a 57% yearly growth.

17 FINANCIAL PERFOMANCE FOR THE YEAR (CONTINUED)

Financial Performance (Continued)

Key Performance Indicators (KPIs)

KPIs are used by the directors' track progress against targets and goals to improve performance.

Outlined below are the main KPIs used by the Group to measure performance: -

Key Performance Indicator	Definition and Formula	CRDB Group ratios	
		2020	2019
Return on Equity	(Net profit/Total equity)*100%	**16.3%**	13.8%
Return on Assets	(Profit Before Tax/Total assets) *100%	**3.3%**	2.6%
Operating expenses to Operating Income	(Operating expense/Net interest income + Non-Interest income) *100%	**61.6%**	64.4%
Gross loans to customer deposits	(Gross loans to customers/Total deposits from customers) *100%	**75.0%**	68.1%
Growth in customer deposits	(Increase in customer deposits/Opening balance of customer deposits) *100%	**4.5%**	11.0%
Non-performing loans to total loans *	(Non-performing loans/Gross loans and advances) *100%	**4.4%**	5.5%
Growth in loans and advances to customers	(Increase in Loans and advances /Opening balance of loans and advances) *100%	**16.3%**	8.2%
Growth in total assets	(Increase in assets for the year/Total asset opening balance) *100%	**8.7%**	9.3%
Tier 1 Capital ratio	(Core capital/Risk weighted assets including Off-balance sheet items) *100%	**17.8%**	17.2%
Total Capital ratio	(Total capital/Risk weighted assets including Off-balance sheet items) *100%	**17.9%**	17.4%
Earnings per share	Profit attributable to equity shareholders/ Number of ordinary shares in issue (TZS)	**63.24**	46.00

*There were no non-performing loans within the Government guaranteed loans as at 31 December 2020 (2019: Nil).

18 IMPACT OF COVID-19

During the reporting period, the banking industry encountered challenges with the COVID-19 pandemic, which continues to create instability and high volatility in the global capital markets. The pandemic disrupted both global and local supply chains, as many manufacturers and suppliers were unable to deliver products/services as required due to lockdowns and subsequent flight cancellations, amid fears of a spontaneous spread of the novel coronavirus.

Despite the challenges, the business environment in Tanzania remained stable with sustained performance across many sectors. The financial services sector continued to perform well, leveraging changes in consumer behavior to improve offerings and increase income. However, some key sectors bore the biggest brunt in the pandemic, mainly because of the measures taken by individual governments and businesses to respond to the outbreak. The most affected sectors included transport and communication, hotels and restaurants, manufacturing, tourism, education and hospitality. Some sectors such as trading, agriculture, mining, and oil & gas steered steady during the pandemic mainly because of the government's decision to keep the economy open.

On the other hand, sectors such as E-Commerce, ICT, Personal and Healthcare Products, Medical Supply and Services continue to experience a boom, stimulated by an increase in demand for health and lifestyle products and services. Fundamentally, the disruptions in the global supply chains occasioned delays on delivery of some projects as some working tools sourced from the international market such as Point of Sale (POS) terminals, note-counting machines, computers (laptops and desktops), teller printers, furniture and others, which could not be delivered in time due to the travel restrictions and lockdowns imposed in source countries especially China, the larger Asia and Europe.

For the financial services sector, the pandemic translated into declining margins, especially in terms of FX and trade finance volumes. As a consequence, there was limited USD supply in the interbank market. There was also a slump in Non-Interest Income (NII) stemming from requests for waivers on loan repayments and concessions informed by COVID-19 mitigation efforts. On the flipside, the pandemic had a positive impact on retail transactions with notable growth in digital transaction volumes. Customers increasingly gravitated towards use of digital channels as opposed to cash transactions; this was in response to the public heath guidelines towards mitigating the spread of the virus.

As would be expected, the disruptions in the financial services sector resulted in serious liquidity challenges. The interbank market particularly experienced liquidity constraints due to an apparent cash crunch, especially among large and small companies that are a common source of deposit to banks. Our Group, like many other financial service providers, was affected by delayed cash flows on restructured loans.

To mitigate liquidity risks in the heat of the pandemic, CRDB Bank in collaboration with Government stakeholders through the sector regulator, Bank of Tanzania (BOT), took various steps to and ensure continuity of operations even as it monitored the situation. The bank is prepared to take appropriate actions to respond to the changes in the market and fully navigate any significant disruption that may ensue. Retrospectively, the measures instituted by BOT helped a great deal in enabling Tanzania's economy recover from the shock.

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

i) Lowering of Statutory Minimum Reserves (SMR) from 7 percent to 6 percent effective from 8th June 2020. The measure is aimed at providing additional liquidity to banks.

ii) Reduced discount rates from 7 percent to 5 percent with effect from 12 May 2020 aimed at providing space for banks to borrow from BOT at lower costs.

iii) Reduction of haircuts on government securities from 10% to 5% for Treasury bills and from 40% to 20% for Treasury bonds aimed at increasing ability for banks to borrow from BOT with less collateral.

iv) Allowing banks to discuss with borrowers impacted with COVID-19 on possibility of restructuring loans - case-by-case basis.

v) Directing mobile money operators to increase daily transaction limit to customers from TZS 3 million to TZS 5 million and daily balance from TZS 5 million to TZS 10 million to encourage customers to use digital payment platforms.

Alongside these policy measures, the Bank has also put in place safety measures to safeguard employees and customers from the virus.

18 IMPACT OF COVID-19 (CONTINUED)

18.2 Measures taken by the Group mitigate the risks of the pandemic

- **To protect staff and the general public to ensure business continuity**

i) Sustained public awareness and health campaigns for staff and customers to drive compliance with the mitigation guidelines including social distancing, handwashing and wearing of facemasks.

ii) Provision of appropriate Personal Protective Equipment (PPEs); Sanitizers, thermometer guns, gloves and facemasks, which are distributed to the entire network i.e., HQ, branches and ATMs.

iii) Implementation of alternative work plans for all staff – including Working from Home (WFH), flexi hours and offsite workspaces to reduce the number of staff in confined spaces.

iv) Restriction of local and international travels, unnecessary events and initiating self-quarantine for staff returning from overseas travel, especially from severely affected countries.

v) Adoption of collaboration solutions and tools such as Webex for internal and external meetings to reduce physical interactions.

vi) Conducting awareness sessions for staff and providing essential information through corporate emails and video-conferencing.

vii) Frequent cleaning of the surfaces including points of contact for customers such as doors and ATM points to eliminate pathogens.

viii) Temporarily waived biometric sign on for attendance to minimize spread of the virus.

- **Ensure Service Availability to support customer needs**

i) Regular Communication to staff, customers, authorities and the general public on service changes and upgrades.

ii) Promotion of alternative banking channels especially digital banking solutions such as SimBanking and internet banking to minimize customer visits to branches.

iii) Provision of hygiene amenities at all branches to ensure customers are able to access services while observing the mitigation guidelines.

iv) Installation of sanitizers at ATMs to reduce the risk of surface transmission.

18.3 Assessment of the measures taken by the Group to mitigate the risks of the pandemic

- **Credit risks**

In terms of credit risk, the Bank had not experienced significant increase in credit risk in all its financial instruments despite the outbreak of the COVID-19 Pandemic. Credit portfolio performance was relatively stable during the year, strengthened by the credit reforms implemented over the period. However, there was some adverse impact, especially in sectors directly affected by the pandemic mainly in the service sector e.g., transport and communication, hotels and restaurants, manufacturing, tourism, education (because of school closures) and hospitality. The disruption in the global supply chains had a direct impact on bank customers whose main business is importation. However, the bank took pro-active measures to engage customers' to closely understand their unique situations and support them to navigate the crisis. The main intervention was restricting loans to allow affected customers more time to repay the loans and granting moratorium period on payment of the loan principal and accrued interest based on needs.

The notable improvement in credit portfolio performance during the year is evidenced by the decrease in non-performing loan (NPL) ratio of 4.4%, compared to 5.5% reported in 2019. This achievement is a result of the Bank's pro-active portfolio monitoring strategy through containment of migration, automatic identification of early warning signals and implementing corrective actions. Additionally, there was focus growth of portfolio with higher yield but lower credit risk such as consumer loans, close engagement with customers and timely restructuring of credit facilities to align with the anticipated cash flows and writing off loan and advances in line with Central bank guidelines. Separately, the Bank continued to engage with all borrowers on sectors affected by the pandemic, close monitoring, and follow up of restructured facilities, especially those affected by COVID-19.

In respect of the above measures, it's noteworthy to say that the COVID-19 impact on the business was insignificant in value, much as it was considered in the measurement of ECL. In respect of forward-looking information applied in ECL model there was insignificant changes, hence no significant adjustment made with respect to economic assumptions applied and disclosed by the bank as at 31 December 2020.

18 IMPACT OF COVID-19 (CONTINUED)

18.3 Assessment of the measures taken by the Group to mitigate the risks of the pandemic (continued)

- **Going Concern**

Directors have assessed the Bank and its subsidiaries ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt on the Bank and its subsidiaries ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis. COVID-19 is not expected to have significant impact on the Bank and its subsidiaries.

- **Liquidity risk**

To resolve the liquidity problems, the Bank focused on more aggressive and effective liquidity management. Strong internal measures were taken especially on deposit mobilization. The bank embarked on a sensitization campaign dubbed Popote Inatiki (loosely translated as 'it ticks everywhere') to drive usage of digital channels including cards; in line with the mitigation guidelines by the regulator.

To increase daily mobile transaction limit to customers from TZS 3 million to TZS 5 million and daily balance from TZS 5 million to TZS 10 million to encourage customers use digital payment platforms. Also, upscaled our Agency banking (Wakala) business and recruited more agents reaching upto 17,031 agents to ensure reliability and deepen access. The upscaling involved running a customer education and conversion campaign dubbed **"Tupo Mtaani Kwako"** (loosely translated to mean 'we are in your neighbourhood'). The two campaigns helped the bank mop up deposits, especially from the microenterprise sector and the lower segments of the market. Similarly, the Bank continued participation is public sector projects, coupled with sustained stakeholder engagements added impetus to the adaptation and recovery efforts.

As at 31 December 2020, the Group's liquidity ratio stood at 25.5% higher than the required regulatory ratio of 20%. The core capital and total capital to total risk weighted assets and off-balance sheet exposures, were 17.8% and 17.9% respectively at the end of December 2020, compared with regulatory requirements of 12.5% and 14.5%, respectively.

Proactively the Bank has reviewed the credit portfolio distribution and identified the likely sectors to be affected by the COVID-19 pandemic. Consequently, engagements are being done with respective customers in the sectors to ensure mitigation measures are taken, including rescheduling deteriorating loans and offering grace period or deferment of payments where possible on a case-by-case basis.

Directors will continue to monitor the impact of the pandemic on specific business and revenue streams to ensure the Group anticipates any significant changes and take appropriate measures.

19 MAJOR FINANCING TRANSACTIONS

During the year, the Group did not undertake any significant financing transactions. The Group's operations were financed by the increase in customer deposits.

20 BORROWING

The Bank has been working with various reputable local and International Development Financial Institutions who have shown interest to support the market. Over the years, the Bank has worked with various Institutions (DEG/KfW, IFC, AfDB, EIB, DANIDA and TMRC) in support of key sectors of the economy.

As at 31 December 2020, the Group had an outstanding exposure of TZS 238 billion, which has been fully on lent to the final beneficiaries in the economy across various business segments including infrastructure, Small & Medium enterprises, Small holder farmers as well as Mortgage. With access to such long-term funding, the Group has contributed greatly to the economy through knowledge sharing, technical assistance, and job creation. As at 31 December 2020, the Group and Bank were compliant with all the lender's covenants.

21 FUNDING MIX

The Bank's primary source of funding during the year was deposits from customers (Demand deposits, Savings deposits and Time/ Fixed deposit) which commands 79% of the total funding, equity 13% and borrowings 5%.There was no major change in the funding mix in 2020 compared to the year 2019. The Current/ Savings Account (CASAs) represented 79% of total customer deposits in 2020 (2019:82%). This interprets a lower cost of funds for the Bank.

The balance between debt and equity was as follows;

				In TZS' Million
	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
Debt				
Customer deposits	**5,434,647**	5,202,247	**5,234,145**	5,068,843
Borrowings - Current	**29,492**	29,485	**29,492**	29,485
Borrowings – Non-current	**240,969**	300,007	**240,969**	300,007
	5,705,108	5,531,739	**5,504,606**	5,398,335
Equity				
Issued capital	**65,296**	65,296	**65,296**	65,296
Share premium	**158,314**	158,314	**158,314**	158,314
Retained earnings	**735,698**	619,407	**716,470**	607,181
Other reserves	**51,656**	30,052	**45,224**	23,528
	1,010,986	873,069	**985,304**	854,319

22 CASH FLOWS

The Group's major source of cash flow was from operating activities, which was attributable to increase in customer deposits by TZS 231.1 billion (2019: increase of TZS 524.2 billion). The funds generated in 2020 was mainly utilised to increase the Group's investment in debt instruments by TZS 63.9 billion (2019: increase of TZS 172.8 billion), servicing borrowings by TZS 73.9 billion (2019: TZS 157.4 billion), and increase lending to customers by TZS 694.8 billion (2019: increase of TZS 359.0 billion). Such investment activities and customer deposits are the major factors explaining the Group's movement in cash flow generated from operations.

The Group's cash projections indicate that future cash flows will mostly be generated from deposits. The Group will continue to implement different strategies to mobilise deposits and maintain sound liquidity position to meet its cash flow commitments.

23 RESULTS AND DIVIDENDS

The Board recommends a dividend of TZS 22 per share from the year 2020 profit after Tax (2019: TZS 17 per share). The total amount of dividend recommended is TZS 57.5 billion (2019: TZS 44.4 billion), which is 34.8% of the net profit.

24 GROUP'S OBJECTIVES

For the Group to create long-term sustainable value, there is a need for an appropriate strategy, focused leadership, healthy corporate values and timely response to shareholder's needs. In the long term, the Group's primary objective is to become the most preferred financial service provider. The Group aims to achieve digitalization across all our transactions through increasing accessibility of mobile and internet banking, encouraging virtual money management by providing value-adding internet and mobile banking functionality.

25 STRATEGIES

The Group's strategies are aligned with the overriding objective of continuous long-term creation of sustainable value for the best interest of stakeholders. The expected outcome of the combined strategy is long-term, real growth in profitability and assets.

	Objective	Strategy
Building the Bank of the future	Strategic	- Provide distinctive customer experience. - Attract new and retain existing customers - Increase the transaction income
	Economic	- Improve the return on equity - Grow quality loan book responsibly - Improve the efficiency ratio
	Operational	- Digital transformation - Develop automated solutions - Train and develop employees
	Social	- Help surrounding communities - Financial inclusion - Build a reputation as an employer of choice
	Environmental	- Ensure environmental sustainability

26 TREASURY OBJECTIVES AND POLICIES

Treasury conducts its activities within a comprehensive framework provided by the Board approved Financial Policies and Treasury Policies. These policies are reviewed and approved by the Board on an annual basis. Treasury is guided by the principles of professionalism, transparency, accountability and profit maximization objective within conservative set of risk parameters.

The overall responsibility for the management of market risks (liquidity risk, Interest rate risk) rested on the Board of Directors, through its Board Risk Committee. At management level, Asset Liability Management Committee (ALCO) and Management Risk Committee are responsible for the management of market risks. Treasury being the main player in the market risk space; is performing her roles and functions under the oversight of the Assets Liabilities Committee (ALCO) which sits monthly.

Treasury policies and objectives are structured in a way to achieve strategic management of Group's statement of financial position with the focus of realizing optimal returns while minimizing risk exposure and related funding costs. Within this framework, Treasury applies the best available market knowledge and techniques to achieve the Group's strategic objectives.

The key treasury policies are:

Market Risk Policy

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

Liquidity Policy

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

Contingency Funding Policy

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

Limit Policy

The policy provides guidance/framework for managing market and liquidity risks for the counterparts at domestic and international level. It also provides guidance for investment and credit exposures limits.

26 TREASURY OBJECTIVES AND POLICIES (CONTINUED)

Asset Liability Management (ALM) and Investment Policy

The policy highlights a set of actions and procedures designed to manage the Bank's financial risks in order to ensure competitive return on assets by putting in place specific predefined risk management policies. It covers strategic management of the Bank's statement of financial position and off-balance sheet items intending to achieve sustained growth, profitability and solvency. It involves a multiplicity of management activities and responsibilities, including the formulation of short and long-term strategic goals, objectives and the management of financial risks.

27 CRITICAL ACCOUNTING POLICIES AND JUDGEMENTS

Results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the financial statements. When preparing the financial statements, it is the Directors' responsibility under the Tanzania Companies Act 2002 to select suitable accounting policies and to make judgments and estimates that are reasonable and prudent. The accounting policies that are deemed critical to our results and financial position, in terms of the materiality of the items to which the policies are applied and the high degree of judgment involved, including the use of assumptions and estimation, are described in notes 5 and 8 to the Financial Statements.

28 KEY STRENGTH AND RESOURCES

Financial resources

Our strong financial position, sustained growth and consistent shareholder returns are a result of our disciplined approach towards raising, lending and managing our financial capital. It includes customer deposits, shareholder equity, retained earnings and external borrowings among others.

Intellectual resources

The adoption of data analytics and emergent technologies enables us to increase operational efficiencies. The knowledge and expertise incorporated within our systems, processes and procedures and the equity built in the Bank's brand constitute our intellectual capital.

Manufactured resources

Manufactured resources facilitates our engagement with customers, people, the society and other stakeholders. Our distribution network comprising banking outlets, corporate office, ATMs, POS machines, CRDB Wakala and other customer touch points constitute this capital. It also covers our IT infrastructure and security.

Human resources

Our people are at the heart of our success. Their diverse skill sets, expertise and industry knowledge constitute our human capital. We further enhance our human capital through continuous training and development programmes. Our focus on developing a skilled and motivated workforce enables us to acquire, serve and retain our customers.

Social and Relationship resources

The way we manage our stakeholder expectations constitutes our social and relationship capital. Be it with our customers, trade partners and merchants or communities, we take a holistic approach to sustainable value creation by nurturing our long-standing relationships and building new ones. Further, through our Corporate Affairs department, we work closely with various communities to improve their lives and livelihood opportunities.

Natural resources

The natural resources we consume to conduct our business and seamlessly deliver our products and services constitute our natural capital. Our energy consumption, carbon dioxide emissions, paper consumption and waste management impact this capital. Further, we screen all our large loans to assess them for environmental and social risks. We are keen on the consumption of electricity, fuel, and water at our offices and driving paperless transactions through deployment of digital tools and automation.

29 QUALITY MANAGEMENT

The Bank is certified with ISO 27001: 2013 (Information security management system) international standard by the British Standard International (BSI). The certificate indicates the secure management of financial products and services, information processing and store facilities, databases, clients' data and Bank's financial information in core banking operations in the Bank. The Bank has been certified as complaint with Payment Card Industry Data Security Standard (PCI-DSS) which is applicable to any company that accepts, stores, processes or transmits cardholder data. The certification was presented to the Bank following an in-depth assessment by Qualified Security Assessor (QSA) - Advantio Limited and after the Bank was found to have met all requirement of the standards. This compliance helps the Bank protect its payment systems from breaches and theft of cardholder data.

30 SOLVENCY

The state of affairs of the Group and the Bank as at 31 December 2020 is set out on page 145 of the financial statements. The Directors consider the Group and Bank to be solvent within the meaning ascribed by the Tanzania Companies Act No.12 of 2002.

31 ACQUISITIONS AND DISPOSALS

During the year, the Group winded up one of its subsidiaries namely CRDB Microfinance Services Company Limited and the Company business operations were transferred to the parent company.

32 INVESTMENTS

The Group held the following equity investments as at 31 December 2020:

Investment	Number of shares	Value of shares (TZS' Million)
Tanzania Mortgage Refinance Company (TMRC)	3,000,000	3,795
Dar es Salaam Stock Exchange (DSE)	327,632	288
Tandahimba Community Bank (TACOBA)*	3,300,000	2,555
Burundi National switch	10,000	136
Kilimanjaro Cooperative Bank (KCBL)**	1,400,000	4,404

*The Group holds 3.2 million preference shares and 100,000 ordinary shares of TACOBA

** During the year, the Group invested 1.4 million preference shares of KCBL

33 INVESTMENT IN SUBSIDIARY

The Bank has established two wholly owned subsidiaries namely CRDB Insurance Broker Limited, incorporated in the United Republic of Tanzania in 2007 and CRDB Bank Burundi S.A. incorporated in the Republic of Burundi in 2012.

The countries of incorporation are also their principal place of business.

All subsidiaries are unlisted and have the same year end as the Bank. The investment in the subsidiaries includes the cost of shares and other initial payments made for the subsidiaries.

34 FUTURE DEVELOPMENT PLANS

In 2021, the Group will continue with the implementation of the 5 years strategy 2018 - 2022 under the strategic theme 'break barriers, build efficiencies'. We aim to deploy bold strategies to address our internal setbacks and respond to the external setbacks that hinder our performance goals and building the efficiencies that will lead to the Group's long-term sustainability. Most paramount, we need to ensure that we implement a holistic transformation leading to the bank of the future.

2021 Group aspirations shall be:

- Protecting its financial strength
- Building resilient business models
- Workforce optimization
- Accelerate automation, innovation and digital adoption
- Prioritizing regulatory and compliance issues
- To strengthen the Group's ICT infrastructure for future growth. The Group will continue with the implementation of four critical ICT projects that began in 2020, but were delayed as a result of COVID-19 pandemic namely;
    - i) Designing and adopting SOA (Implement robust ESB, Applications rationalization, OMNI Channel Experience, Open Banking & Data Management).
    - ii) Operationalization of Tier 3 Data center.
    - iii) Fully implementation of new core banking system.
    - iv) Strengthening ICT security and replacing of end of life IT infrastructures.

34 FUTURE DEVELOPMENT PLANS (CONTINUED)

The Group's expectations from the investment made; will result into an increase in operational efficiencies, costs reduction and consequently increase profitability. The transformation targets to build a superior banking experience and generate value for all stakeholders. To achieve a more prolific performance, the Bank will harness the opportunities brought about by the transformation initiatives being implemented. The Bank will endeavour to ensure continuity of the 5-year business strategy, building on the gains made during the year.

In 2021, the Group strategy is to develop new products and services that will fit the recent needs of our customers to catch-up with the technology to help and support our customers in a sustainable way. The 2021 strategy also aims to unlock the full potential of the Group by entrenching the efficiency of service and, transforming our sales force. We have adopted a futuristic model which guarantees the longevity of our Group. We plan to leverage technology, talent and opportunities to build a robust proposition for our customers. Key considerations for us in the new year include sustained expansion of our agency banking business, seeing that it is a cost-effective avenue through which the Group can expand its reach to provide access to financial services for underserved communities in rural areas.

We will also accelerate automation with the view to reduce manual interventions. We believe that this will enhance efficiency in our service delivery and, in turn, deliver a superior experience for our customers. We resolve to get close to our customers more so that we can understand their pain points and help them achieve their financial goals.

35 EMPLOYEES' WELFARE

Management and Employees Relationship

The Group's management focuses on building the right culture as a strategic human resource priority by ensuring that Bank's culture is embedded across all levels and the same is driven across the entire workforce. Having the right culture is an essential element for the Group's future development as we transform towards creating the digital era banking. Amongst the key components in this development is ensuring that our leaders are charged by the major roles of fostering strong leadership capabilities, talent management, enhancing employee relationship and development.

Our leaders believe and always strive in creating an enabling environment where all employees will be able to utilize their fullest potentials while allowing them to connect to each other with dignity and respect. Through this approach, the management maintains a harmonious working environment with both the employees and the Trade Union.

Resultant to these initiatives the Group has been able to retain its key staff and maintained the turnover rate below 2 percent, which is far below the industry rate. Additionally, CRDB Bank continued to maintain a strong organization health index as compared to the global benchmarks as rated by McKenzie and which indicates strong capacity to continuously improve its performance in future.

Training and Development

The Group continued to take advantage of the modern facilities at the Training Centre for the development of its workforce. The Group used different learning methodologies to offer these trainings which included: blended learning through different facilities like Video Conferencing which allowed facilitators from one point to interact with different business units; web-based learning (eLearning) whereby one could learn at their own pace; Distance Learning Programs for Professional Banking Qualification; and face to face training sessions which were conducted within and outside the Group.

All employees of the Group, have access to more than one learning option and are encouraged to use the opportunity to re-tool and up-skill themselves in their specialised area of working and personal development so as to enable them to discharge their duties effectively.

Employee Wellbeing Initiatives

CRDB Bank places top priority on Occupational Safety and Health matters. Employees have access to a range of health and wellbeing resources, including medical cover, occupational health services and an employee assistance program. The Bank continued to offer Employee Wellness Programs which are unique and far beyond the normal offerings to employees and their family members. The offerings included the programs for teenagers, housemaids and counseling sessions for all staff and their dependents. Furthermore, employees are encouraged to participate in various sports activities and working in partnership with external leading health specialists to ensure that health and fitness are a top priority.

35 EMPLOYEES' WELFARE (CONTINUED)

Financial Assistance to staff

Loans are available to all confirmed employees depending on the assessment of the need and circumstances, as long as it is in line with the Human Resources and Credit Policies.

Staffing

The Group has a clear hiring policy, which is built on the provision of equal employment opportunities to all genders. It ensures to provide equal access to employment free from discrimination of any kind and without regard to factors like race, colour religion, sex, nationality, national origin, tribe, age or disability, social origin, political opinion, gender, pregnancy, marital status, HIV/AIDS, station of life which does not impair someone's abilities to carry out his duties.

The hiring policy is annually reviewed through process views and recommendations from key stakeholders such as "Trade Union" are considered.

Persons with Disabilities

It is the Group's policy to provide employment to disabled persons wherever practicable. The Group has always considered this policy whenever it recruits. As at 31 December 2020, there were two (2) persons with disabilities who are employees of the Bank. We practise a non-discrimination policy against qualified individuals with disabilities in job application procedures, hiring, firing, promotion, compensation, job training, and other areas of employment.

In the event of any employee becoming physically challenged in the course of employment, where possible, the bank is in a position to arrange training to ensure the continuous employment of such a person without subjecting him/her to any disadvantage in his/her career development.

Employee Benefit Plan

The Group contributes to various Social Security Pension Funds, which are statutorily defined contribution pension schemes. The Group's obligations under the schemes are limited to specific contributions legislated from time to time. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

36 GENDER PARITY

Gender and Diversity Inclusiveness is an important component of our strategy, and gender diversity has been identified as a key area for improvement. The Bank developed the Gender Diversity and Inclusiveness policy which predominantly aims at adhering to the best human resource practices and standards by dedicating efforts that will increase the number of women employees in senior roles.

As at 31 December 2020, the Group total workforce stood at 3,635 staff where 2,061 (57%) were males and 1,574 (43%) females. The biggest age Group in our workforce is below 35 years of age (57%), 40% are between the ages of 36-55 years and 3% are above 56 years. During the year, the Bank continued to focus on driving women agenda through special sessions which aimed at inspiring and empowering more women to draw unique leadership qualities that would enable them to rise to the highest levels of leadership.

37 STAKEHOLDER ENGAGEMENT

Effective engagement through consistent dialogue with key stakeholders is central to business sustainability, both in terms of understanding opinions and concerns, and in delivering the Group's commitments. Set out below are the key stakeholders with whom the Group engages on a regular basis and the means of engagement.

Stakeholder	Means of engagement
Employees	- Routine and specifically scheduled functional and cross-functional meetings as required; - Formal and informal face-to-face meetings as well as video conference meetings are regularly held with and between employees throughout the Group; and - Emails are sent to employees regarding policies, procedures and/or employment related information.
Customers	- A series of branch/office visits and customer events for retail, corporate and insurance customers; - A Call Centre is there to ensure constant engagement with the customers; and - Interaction with customers via CRDB website and other social media platform including the Instagram, Facebook, and Twitter.
Suppliers	- Formalized procurement policies and procedures have been established throughout the Group; and - Competitive procurement of goods and supplies is exercised at all times and fairness is of utmost importance while awarding supply contract to selected service providers.
Trade unions	- Continuous engagement with the relevant employee unions (TUICO) and industrial labor organizations to ensure that ongoing constructive relationships with these stakeholders are maintained.
Shareholders	- Annual General Meeting (AGM) is held on a yearly basis, - The annual report is presented at the AGM to shareholders; and - Shareholder's seminar is held on a yearly basis.
Regulatory authorities	- Regular communication with the central bank (Bank of Tanzania), Capital Markets And Securities Authority, Dar es Salaam Stock Exchange (DSE), Tanzania Communications Regulatory Authority (TCRA), Capital Markets And Securities Authority, and other regulatory authorities (Capital Market when necessary; and - Interaction with Tanzania Revenue Authority in respect of CRDB's tax commitments, as appropriate.
Government	- Regular interactions through Government Relations and Regulatory Affairs teams.
Community	- Collaboration with related entities concerning CSR to foster responsible initiatives and disseminate best practices; and - Financial literacy and inclusion initiatives.
Media	- Interactions via press release, local TV, radio, magazines; and blogs and articles to create brand awareness and reach our target audience.

38 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the normal course of business, a number of banking relationships are entered into with related parties' i.e. key management staff, Directors, their associates and companies associated with Directors. Such relationships are guided by policies approved by the Board to ensure the same is done at arm's length. Loans and advances to companies associated with Directors amounted to TZS 1,457 million (2019: TZS 1,631 million), while loans and advances to Directors and other key management personnel amounted to TZS 6,258 million (2019: TZS 5,818 million). The volumes of related party transactions for the year and the outstanding amounts at the year-end are provided under Note 54 of the financial statements.

39 ENVIRONMENTAL FOOTPRINT

The Group embraces a culture of responsible living, with the ultimate intention of building a sustainable work environment that has minimal or nil adverse effects on the environment. Among the efforts done by the Group to minimize ecological footprint are;

- Implementation of paperless banking by rolling out e-banking services to all customer correspondences;
- Launching web and mobile - based banking solutions that have cut of the amount of paper used;
- Adopt a centralized printing system to track and control the amount of printouts on a monthly basis;
- Implementation online lending solutions for salaried employees, pensioners and agents using the Simbanking mobile application, in which customers apply without visiting branches as well as elimination of the paper trail throughout the processes;
- Adopting collaboration technologies within the Bank's communication systems, such as videoconference kits to cut the number of hours and material resources spent travelling, by air or road for meetings and also the use of electronic reports for management meetings;
- The Bank has also ensured an efficient use of power within all its premises including placing reminders on power and Air Conditioning switches for staff to turn off power when not in use;
- Supporting the provision of solar energy facilities to small households by granting loans through its microfinance window.

In a bid to ensure environmentally sustainable financing, the Bank has established a unit designated for assessment and management of Environmental and Social Risks associated with financed projects. An Environmental and Social Risk Assessment manual providing guidelines in project financing has also been developed with a policy statement which elaborates commitment in promoting environmentally sound and sustainable projects. The policy has adopted both local environmental laws and regulations and internationally acceptable standards in assessment and management of projects in order to eliminate or mitigate such environmental and social risks associated with different projects.

40 CORPORATE SOCIAL RESPONSIBILITY

The Group advances its sustainability agenda through investment in social initiatives, focusing on the strategic pillars – Health, Education, Environment and Youth & Sports. The strategic pillars form the basis of the Group's social responsibility approach and, are engrained in our value system because we understand their transformative capability.

Each Financial Year, the Bank Group spends 1% of its gross profit on social responsibility initiatives which address the immediate and long-term needs of the current and future generations in line with the United Nations Sustainable Development Goals (SDGs) 1, 3, 4, 13 and 17; along with aspirations contained in the Country's Vision 2025 blueprint.

Health

During the year, the Bank spent a total of TZS 680 million was extended to the healthcare sector being inclusive of the cash donation to the National Health Fund for COVID-19 response. A chunk of the funds was channelled towards expanding healthcare infrastructure, mainly construction of dispensaries, wards and purchase of medical equipment.

Through the partnership with the Jakaya Kikwete Cardiac Institute, the Group also sustained its support towards pediatric health through a TZS 200 million grant that was used to fund cardiac surgeries of underprivileged children. The funds were proceeds of a fundraising marathon event held in August 2020, which brought together a dozen corporate partners and attracted more than 5,000 participants. The Marathon, christened CRDB Bank Marathon 2020 was themed "Kasi isambazayo tabasamu", loosely translated as 'speed that spreads a smile.' The marathon, which was a huge success, has been adopted as a calendar event for the Group and will seek to bring aboard more like-minded partners.

Education

During the 2020 financial year, the Group invested a total of TZS 640 million in the sector. The investment mainly targeted infrastructure upgrades to improve the learning conditions for students and resourcing of schools with tools to facilitate learning. There was consideration for the construction of library facilities, classrooms, dormitories, purchase of laboratory equipment and construction of amenities such as ablution blocks. In the year, more than 20, fully-equipped classrooms, 5 dormitories and over 70 pit latrines were constructed in various schools around the country.

40 CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

Environment

CRDB Bank Group's aspiration to be an environmental steward moved a notch higher in 2020 with the launch of a three-year environmental campaign dubbed Pendezesha Tanzania (loose translation 'beautify Tanzania'). The initiative is conceptualised to champion tree planting in urban areas to mitigate human pollution brought about by human activity and urban settlement. The campaign targets to plant 100,000 trees in three years. It also seeks to drive public awareness initiatives on sanitation through regular cleaning exercises. During the inaugural event held in September, the Group, alongside the local administration in Goba Ward of Dar es Salaam, planted about 2,000 trees in all primary and secondary schools in the ward. Participants also cleaned up clogged drainages stretching more than 10kms as part of community sensitization on environmental hygiene. This initiative earned the Bank an ambassadorial appointment from the Office of Vice President.

Youth

A total of TZS 80 million was invested in Youth, Sports and wellness programs during the year, with a significant amount channelled towards promoting talent. This culminated in a first-ever national basketball tournament in the country's political capital, Dodoma in the third quarter of the year. The tournament, christened 'CRDB Bank Taifa Cup 2020' pooled together more than two dozen teams from 26 regions in Tanzania to a high-octane fete that provided a unique scouting ground for basketball talent. The tournament culminated in the sponsorship of 26 university students with scholarships valued at TZS 38 million.

41 POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group did not make any political contributions during the year (2019: Nil).

42 SERIOUS PREJUDICIAL MATTERS

During the year 2020, there were no serious legal matters which could affect the Group or Bank (2019: None).

43 EVENTS AFTER REPORTING PERIOD

There were no other events after the reporting period which require adjustment or disclosure in the financial statements.

44 STATEMENT OF COMPLIANCE

The Directors' Report has been prepared in compliance with the Tanzania Financial Reporting Standard No. 1 (Directors' Report).

45 AUDITORS

The auditor, Ernst and Young, have completed their three (3) year tenure as Bank auditors. Ernst and Young will be required to retender for appointment as Bank auditors. A resolution proposing their re-appointment as the Bank's auditors for the subsequent year will be put to the Annual General Meeting for approval.

BY ORDER OF THE BOARD OF DIRECTORS

SIGNED ON ITS BEHALF BY:

Dr Ally H. Laay Chairman	30 March 2021 Date
Hosea E. Kashimba Non-executive Director	30 March 2021 Date

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2020

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

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act No.12 of 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and Bank and of its profit in accordance with International Financial Reporting Standards (IFRS). The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Nothing has come to the attention of the directors to indicate that the Bank and its subsidiaries will remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Board of Directors by:

30 March 2021

Dr. Ally H. Laay
Chairman

Date

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

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's position and performance in accordance with applicable International Financial Reporting Standards (IFRS) and statutory financial reporting requirements.

Full legal responsibility of the preparation of financial statements rests with the Board of Directors has declared under the Statement of Directors' Responsibility on page 137.

I **Frederick Bayona Nshekanabo**, being the Chief Financial Officer of CRDB Bank Plc, hereby acknowledge my responsibility of ensuring that consolidated and separate financial statements of CRDB Bank Plc (the ''Bank'') and its subsidiaries for the year ended 31 December 2020 have been prepared in compliance with International Financial Reporting Standards (IFRS) and the requirements of Companies Act No.12 of 2002 and Banking and Financial Institutions Act (BFIA), 2006 and its regulations.

I, thus confirm that the consolidated and separate financial statements give a true and fair view position of CRDB Bank Plc and its subsidiaries as on that date and that it has been prepared based on properly maintained financial records.

Signed By:

Frederick B. Nshekanabo

Chief Financial Officer

ACPA 1388

30 March 2021

Date

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REPORT ON THE AUDIT OF THE GROUP AND BANK FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of CRDB Bank Plc (the ''Bank'') and its subsidiaries (together, the ''Group'') set out on pages 143 to 362, which comprise the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and the Bank as at 31 December 2020, and the consolidated and separate financial performance and consolidated and separate cash flows of the Group and the Bank for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 of Tanzania.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate 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 consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the **Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial StatementS** section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provided the basis for our audit opinion on the accompanying consolidated and separate financial statements.

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Key Audit Matters (continued)

No.	Key audit matter	How our audit addressed the key audit matter
1.	**Credit risk and impairment of loans and advances to customers**	
	As at 31 December 2020, the provision for impairment on loans and advances to customers was TZS 74.1 billion (2019: TZS 95.9 billion) This represents the estimation of expected losses on loans and advances to customers at the year end. The determination of appropriate provisions for impairment is a key audit matter as it requires management judgement, is subject to estimation uncertainty and relies on available data. Management's assessment of significant increase or decrease in credit risk involves judgments and if not properly performed may result into misallocation of loans in different categories based on levels of risks hence misstatement of the impairment amount. There is a risk that the provision for impairment of financial assets does not represent a complete and accurate estimate of expected losses and that the carrying value of these items is misstated. This includes the risk that the ECL model is not in compliance with IFRS 9. The accounting policy and key sources of estimation uncertainty in relation to financial asset impairment provisions are disclosed in Note 7 (7.11) to the financial statements on pages 167 to 170t	Our audit procedures included: • We undertook an assessment of the Bank's provisioning methodology and compared it with the requirements of IFRS 9. • We evaluated the design and operating effectiveness of the Bank's controls and IT controls around credit management, ECL model and provision assessment. • We tested key controls over completeness and accuracy of data inputs to loan loss provisioning. • We assessed management's judgements and assumptions in relation 'significant increase or decrease in credit risk' and the allocation of loans in to different categories. • We tested a sample of loans to ensure that they have been included in the correct stage in accordance with the Bank's methodology and IFRS 9. • We reviewed the IFRS 7 disclosures for compliance with the amendments relating to IFRS 9.

Other Information included in the Group's 2020 Annual Report

The other information comprises the Bank Information, Directors' Report, Statement of Directors' Responsibilities and the Declaration by the Head of Finance. The other information does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

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Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

The directors are responsible for overseeing the Group's and the Bank's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate 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 consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

This report, including the opinion, has been prepared for, and only for, the Bank's members as a body in accordance with the Companies Act, 2002 of Tanzania and for no other purposes. As required by the Companies Act, 2002 of Tanzania, we report to you, based on our audit, that:

- We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the Group and the Bank, so far as appears from our examination of those books;
- The Directors' Report is consistent with the consolidated and separate financial statements;
- Information specified by law regarding directors' remuneration and transactions with the Group and the Bank is disclosed; and
- The consolidated and separate statements of financial position and consolidated and separate statements of profit or loss and other comprehensive income are in agreement with the books of account.

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

- In our opinion, the capital adequacy ratios as presented in Note 10.10 to the financial statements have been computed in accordance with the Banking and Financial Institutions Act, 2006, and the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014 of Tanzania.

The engagement partner on the audit resulting in this independent auditor's report is Neema Kiure Mssusa.

Neema Kiure Mssusa - (FCPA 1227)

31 MARCH 2021
Date

For and behalf of:

Ernst & Young
Certified Public Accountants
Dar es Salaam

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In TZS' Million

	Note	GROUP 2020	GROUP 2019	BANK 2020	BANK 2019
Interest income calculated using the effective interest method	11	**699,294**	646,087	**671,129**	626,494
Interest expense calculated using the effective interest method	12	**(116,305)**	(114,386)	**(109,072)**	(109,703)
Interest expense on lease liability using the effective interest method***	12	**(2,509)**	(2,615)	**(2,461)**	(2,553)
Net interest income		**580,480**	529,086	**559,596**	514,238
Credit loss expense on financial assets	31	**(73,065)**	(91,503)	**(72,750)**	(91,487)
Net interest income after credit loss expense on financial assets		**507,415**	437,583	**486,846**	422,751
Fee and commission income	13A	**204,092**	189,719	**194,021**	180,030
Fee and commission expense	13B	**(36,433)**	(33,155)	**(36,428)**	(32,811)
Net fee and commission income		**167,659**	156,564	**157,593**	147,219
Foreign exchange income	14	**36,721**	38,660	**34,444**	37,861
Net gain on financial assets at fair value through profit or loss	15	**556**	-	**-**	-
Net gain or (loss) on equity investments at fair value through profit or loss	15	**(485)**	379	**(485)**	379
Net gains on derecognition of financial assets measured at fair value through OCI	16	**19,510**	6,313	**19,510**	6,313
Other operating income	17	**4,261**	2,132	**6,931**	8,606
Net operating income		**735,637**	641,631	**704,839**	623,129
Other operating expenses	18	**(132,673)**	(137,182)	**(127,219)**	(130,150)
Impairment charge on other financial assets	35	**(15,021)**	(10,186)	**(15,021)**	(8,467)
Depreciation and amortization	19	**(58,718)**	(59,061)	**(57,422)**	(57,446)
Employee benefit expenses	20	**(293,054)**	(260,517)	**(283,594)**	(252,128)
		(499,466)	(466,946)	**(483,256)**	(448,191)
Profit before income tax		**236,171**	174,685	**221,583**	174,938
Income tax expense	21A	**(70,985)**	(54,540)	**(68,594)**	(52,292)
Profit for the year		**165,186**	120,145	**152,989**	122,646
Profit attributable to:					
Owners of the parent entity		**165,186**	120,145	**152,989**	122,646
Non-controlling interests*		**-**	-	**-**	-
		165,186	120,145	**152,989**	122,646
Basic and diluted earnings per share attributable to equity holders of the parent entity (TZS)	22	**63.24**	46.00	**58.57**	46.95

*The Group's subsidiaries are 100% owned by the parent entity.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

					In TZS' Million
		GROUP		BANK	
Other comprehensive income:	**Note**	**2020**	**2019**	**2020**	**2019**
Profit for the year		**165,186**	120,145	**152,989**	122,646
Items that may be subsequently reclassified to profit or loss:					
Revaluation gains/(losses) on debt instruments at FVOCI		**23,055**	(3,343)	**23,055**	(5,838)
Translation reserve		**(359)**	(1,334)	**-**	-
Income tax relating to these items	40	**(11,516)**	1,751	**(11,515)**	1,751
Total items that will not be reclassified to the statement of profit or loss		**11,180**	(2,926)	**11,540**	(4,087)
Items that may not be subsequently reclassified to profit or loss:					
Revaluation gain/(losses) on equity instrument at FVOCI	49	**(1,195)**	(607)	**(1,195)**	(607)
Revaluation surplus – Motor vehicles and mobile branches		**1,047**	3,861	**1,047**	3,861
Income tax relating to these items**		**(778)**	-	**(778)**	-
Total items that will be reclassified to the statement of profit or loss		**(926)**	3,254	**(926)**	3,254
Other comprehensive income for the year, net of tax		**10,254**	328	**10,614**	(833)
Total comprehensive income for the year, net of tax		**175,440**	120,473	**163,603**	121,813

Total comprehensive income attributable to:				
Owners of the parent entity	**175,440**	120,473	**163,603**	121,813
Non-controlling interests*	**-**	-	**-**	-
	175,440	120,473	**163,603**	121,813

*The Group's subsidiaries are 100% owned by the parent entity.

**Taxes relates to Revaluation loss on equity instrument at FVOCI.

***2019 description of interest expenses on lease liability has changed to 'Interest expense on lease liability calculated using effective interest method'

STATEMENTS OF FINANCIAL POSITION AS AT 31ST DECEMBER 2020

In TZS' Million

	Note	GROUP 2020	GROUP 2019	BANK 2020	BANK 2019
ASSETS					
Cash and balances with Central bank	24	**652,918**	764,015	**633,209**	753,462
Debt instruments at amortized cost	25	**995,824**	955,698	**843,316**	824,247
Debt instruments at FVOCI	25	**501,005**	461,665	**501,005**	461,665
Financial assets at FVPL	26	**5,572**	-	**-**	-
Loans and advances to banks	27	**361,902**	323,677	**382,207**	346,776
Loans and advances to customers	28	**3,929,096**	3,382,024	**3,852,158**	3,325,613
Credit cards	30	**529**	1,312	**529**	1,312
Non-current assets held for sale	32	**16,600**	16,600	**16,600**	16,600
Investment in subsidiaries	36	**-**	-	**21,683**	22,411
Equity investments at FVOCI	33	**8,623**	5,095	**8,488**	4,973
Equity investments at FVPL	34	**2,555**	3,040	**2,555**	3,040
Other assets	35	**208,597**	203,278	**206,875**	199,829
Current income tax	21B	**17,169**	18,962	**17,505**	16,713
Property and equipment	37A	**335,647**	279,956	**323,207**	269,543
Motor vehicles and mobile branches	37B	**18,064**	14,435	**17,248**	13,254
Right-of-Use assets	37C	**27,678**	39,175	**26,992**	38,329
Leasehold land	38	**10,028**	10,306	**10,028**	10,306
Intangible assets	39	**30,026**	36,060	**29,193**	35,258
Deferred tax asset	40	**48,639**	81,950	**48,647**	81,957
TOTAL ASSETS		**7,170,472**	6,597,248	**6,941,445**	6,425,288
LIABILITIES					
Deposits from customers	41	**5,434,647**	5,202,247	**5,234,145**	5,068,843
Deposits from Banks	42	**296,212**	25,195	**295,984**	6,498
Other liabilities	43A	**118,220**	114,811	**116,513**	114,641
Lease liabilities	43B	**29,618**	39,778	**28,688**	38,903
Provisions	44	**4,218**	4,671	**4,218**	4,671
Grants	45	**6,132**	7,985	**6,132**	7,921
Borrowings	46	**238,054**	297,092	**238,054**	297,092
Subordinated debts	47	**32,407**	32,400	**32,407**	32,400
TOTAL LIABILITIES		**6,159,508**	5,724,179	**5,956,141**	5,570,969
EQUITY					
Share capital	48	**65,296**	65,296	**65,296**	65,296
Share premium	49	**158,314**	158,314	**158,314**	158,314
Retained earnings	49	**735,698**	619,407	**716,470**	607,181
Legal provision reserve	49	**3,346**	3,346	**-**	-
Translation reserve	49	**1,827**	2,186	**-**	-
General Banking reserve	49	**1,259**	695	**-**	-
Revaluation reserve	49	**45,224**	23,825	**45,224**	23,528
TOTAL EQUITY		**1,010,964**	873,069	**985,304**	854,319
TOTAL LIABILITIES AND EQUITY		**7,170,472**	**6,597,248**	**6,941,445**	**6,425,288**

The financial statements on pages 143 to 362 were approved and authorised for issue by the Board of Directors on 19 March 2021 and signed on its behalf by:

Dr. Ally H. Laay
Chairman

Abdulmajid M. Nsekela
Managing Director

Hosea E. Kashimba
Non-executive Director

STATEMENTS OF CHANGES IN EQUITY

GROUP — In TZS' Million

Year ended 31 December 2020	Note	Share capital	Share premium	Retained earnings	General Banking reserve	Legal provision reserve	Revaluation reserve	Translation reserve	Total
At 1 January 2020		**65,296**	**158,314**	**619,407**	**695**	**3,346**	**23,825**	**2,186**	**873,069**
Liquidation of MFSCL*		-	-	(4,631)	-	-	(297)	-	(4,928)
Profit for the year		-	-	165,186	-	-	-	-	165,186
Comprehensive income									
Gain on Debt instruments at fair value through OCI	49	-	-	-	-	-	22,545	-	22,545
Transfer of excess depreciation net of deferred tax	49	-	-	701	-	-	(701)	-	-
Revaluation surplus – Motor Vehicle and mobile branches		-	-	-	-	-	1,047	-	1,047
Translation reserve		-	-	-	-	-	-	(359)	(359)
Revaluation gain/ (loss) on equity instrument at FVOCI		-	-	-	-	-	(1,195)	-	(1,195)
Total comprehensive income		-	-	165,887	-	-	21,696	(359)	187,224
Transfer to general Banking reserve and regulatory Banking risk reserve		-	-	(564)	564	-	-	-	-
Transactions with shareholders									
Dividends declared	23	-	-	(44,401)	-	-	-	-	(44,401)
At 31 December 2020		**65,296**	**158,314**	**735,698**	**1,259**	**3,346**	**45,224**	**1,827**	**1,010,964**

*The amount relates to the retain earnings of the MFSCL subsidiary liquidated during the year by transferring its operations to the parent company.

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

GROUP — In TZS' Million

Year ended 31 December 2019	Note	Share capital	Share premium	Retained earnings	General Banking reserve	Legal provision reserve	Revaluation reserve	Translation reserve	Total
At 1 January 2019		65,296	158,314	489,227	31,020	1,228	25,015	3,520	773,620
Profit for the year		-	-	120,145	-	-	-	-	120,145
Comprehensive income									
Gain on Debt instruments at fair value through OCI	49	-	-	2,495	-	-	(4,087)	-	(1,592)
Transfer of excess depreciation net of deferred tax	49	-	-	357	-	-	(357)	-	-
Revaluation surplus – Motor Vehicle and mobile branches		-	-	-	-	-	3,861	-	3,861
Translation reserve		-	-	-	-	-	-	(1,334)	(1,334)
Unrealised gain on equity investments		-	-	-	-	-	(607)	-	(607)
Total comprehensive income		-	-	122,997	-	-	(1,190)	(1,334)	120,473
Transfer to general Banking reserve and regulatory Banking risk reserve		-	-	30,195	(30,325)	-	-	-	(130)
Legal provision		-	-	(2,118)	-	2,118	-	-	-
Transactions with shareholders									
Dividends declared	23	-	-	(20,894)	-	-	-	-	(20,894)
At 31 December 2019		65,296	158,314	619,407	695	3,346	23,825	2,186	873,069

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

BANK							In TZS' Million
Year ended 31 December 2020	Note	Share capital	Share premium	Retained earnings	General Banking reserve	Revaluation reserve	Total
At 1 January 2020		**65,296**	**158,314**	**607,181**	**-**	**23,528**	**854,319**
Profit for the year		**-**	**-**	**152,989**	**-**	**-**	**152,989**
Comprehensive income							
Gain/ (Loss) on debt instruments at fair value through OCI	49	**-**	**-**	**-**	**-**	**22,545**	**22,545**
Transfer of excess depreciation net of deferred tax	49	**-**	**-**	**701**	**-**	**(701)**	**-**
Revaluation surplus – Motor Vehicle and mobile branches		**-**	**-**	**-**	**-**	**1,047**	**1,047**
Revaluation gain/ (loss) on equity instrument at FVOCI		**-**	**-**	**-**	**-**	**(1,195)**	**(1,195)**
Total comprehensive income		**-**	**-**	**153,690**	**-**	**21,696**	**175,386**
Transfer to general banking reserve and regulatory banking risk reserve		**-**	**-**	**-**	**-**	**-**	**-**
Transactions with shareholders							
Dividend declared	23	**-**	**-**	**(44,401)**	**-**	**-**	**(44,401)**
At 31 December 2020		**65,296**	**158,314**	**716,470**	**-**	**45,224**	**985,304**

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

BANK							In TZS' Million
Year ended 31 December 2019	**Note**	**Share capital**	**Share premium**	**Retained earnings**	**General Banking reserve**	**Revaluation reserve**	**Total**
At 1 January 2019		65,296	158,314	474,991	30,195	24,604	753,400
Profit for the year		-	-	122,646	-	-	122,646
Comprehensive income							
Gain/ (Loss) on debt instruments at fair value through OCI	49	-	-	-	-	(4,087)	(4,087)
Transfer of excess depreciation net of deferred tax	49	-	-	243	-	(243)	-
Revaluation surplus – Motor Vehicle and mobile branches		-	-	-	-	3,861	3,861
Unrealised gain on equity investments		-	-	-	-	(607)	(607)
Total comprehensive income		-	-	122,889	-	(1,076)	121,813
Transfer to general banking reserve and regulatory banking risk reserve		-	-	30,195	(30,195)	-	-
Transactions with shareholders							
Dividend declared	23	-	-	(20,894)	-	-	(20,894)
At 31 December 2019		65,296	158,314	607,181	-	23,528	854,319

STATEMENT OF CASH FLOWS

					In TZS' Million
		GROUP		BANK	
	Note	2020	2019	2020	2019
Cash flow from operating activities					
Profit before income tax		**236,171**	174,685	**221,583**	174,938
Adjustment for:					
Depreciation of property and equipment	37A	**32,735**	31,101	**32,092**	30,372
Depreciation of motor vehicle and mobile branches	37B	**2,879**	3,876	**2,720**	3,481
Amortization of right-of-use assets	37C	**12,961**	13,176	**12,766**	12,972
Amortization of intangible assets	39	**9,826**	10,592	**9,527**	10,305
Amortization of leasehold land	38	**318**	316	**318**	316
Loss /(Gain) on disposal of property and equipment	17	**581**	(388)	**517**	(362)
Loan impairment charges and non-cash recoveries	31	**74,462**	96,014	**74,147**	95,998
Provisions - Debt instruments	31	**(3,725)**	348	**(3,725)**	348
Provisions - Placements	31	**906**	258	**906**	258
Provisions – Off-balance sheet	31	**55**	(5,109)	**55**	(5,109)
Provisions – Credit cards	31	**1,367**	(8)	**1,367**	(8)
Dividend income		**2,934**	30	**5,604**	6,530
Other assets impairment charges	35	**15,021**	10,186	**15,021**	8,467
Grant utilization	45	**(1,854)**	(1,992)	**(1,790)**	(1,992)
Interest income	11	**(699,294)**	(646,087)	**(671,129)**	(626,494)
Interest expense	12	**118,814**	117,001	**111,533**	112,256
Foreign currency exchange loss/(gain) on borrowings		**1,727**	(84)	**1,727**	(84)
Foreign currency exchange loss/(gain) on cash and cash equivalents		**9,067**	(2,654)	**9,130**	(2,043)
		(421,220)	(373,424)	**(399,214)**	(354,789)
Changes in operating assets and liabilities:					
Statutory minimum reserve		**110,630**	(1,485)	**110,630**	(4,011)
Government securities		**(63,930)**	(172,819)	**(27,833)**	(100,735)
Investments in Bonds		**(5,989)**	(1,000)	**-**	(1,000)
Loans and advances to banks		**117,769**	17,880	**39,630**	11,500
Loans and advances to customers		**(694,798)**	(359,009)	**(627,056)**	(345,546)
Other assets		**(29,149)**	(82,007)	**(23,445)**	(87,016)
Deposits from banks		**252,142**	16,439	**277,321**	2,504
Deposits from customers		**231,065**	524,249	**166,370**	470,456
Other liabilities		**3,669**	17,378	**346**	9,432
Provisions		**(453)**	5,739	**(453)**	5,739
		(79,044)	(34,635)	**(84,490)**	(38,677)
Interest received from loans and advances to customers and Banks		**492,508**	471,472	**492,673**	461,788
Interest received from Debt instruments		**186,050**	174,510	**173,671**	164,601
Interest received from Corporate bonds		**547**	484	**547**	484
Interest paid		**(83,695)**	(90,341)	**(80,813)**	(81,415)
Income tax paid	21B	**(47,777)**	(49,024)	**(46,344)**	(48,871)
Net cash generated from operating activities		**283,540**	273,727	**277,613**	278,059

STATEMENT OF CASH FLOWS (CONTINUED)

In TZS' Million

	Note	GROUP 2020	GROUP 2019	BANK 2020	BANK 2019
Cash flows from investing activities					
Purchase of property and equipment	37A	**(88,572)**	(33,108)	**(85,883)**	(32,906)
Purchase of motor vehicle and mobile branches	37B	**(6,337)**	(3,250)	**(5,937)**	(2,777)
Acquisition of leasehold land	38	**-**	(50)	**-**	(50)
Purchase of intangible assets	39	**(3,980)**	(4,118)	**(3,640)**	(4,027)
Investment in shares	33	**(7,000)**	(880)	**(7,000)**	(758)
Dividend received		**2,322**	30	**2,322**	30
Proceeds from disposal of property and equipment		**393**	1,183	**393**	1,037
Net cash used in investing activities		**(103,174)**	(40,193)	**(99,745)**	(39,451)
Cash flows from financing activities					
Dividends paid		**(44,401)**	(20,895)	**(43,518)**	(20,895)
Repayment of borrowings	46	**(59,652)**	(126,985)	**(59,652)**	(126,985)
Interest paid on borrowings	46	**(14,242)**	(30,404)	**(14,242)**	(30,404)
Interest paid on lease liabilities	43B	**(2,509)**	(2,615)	**(2,461)**	(2,553)
Principal payment on lease liabilities	43B	**(12,131)**	(11,523)	**(12,164)**	(12,398)
Net cash used in financing activities		**(132,935)**	(192,422)	**(132,037)**	(193,235)
Cash and cash equivalents at 1 January		**747,098**	703,651	**737,416**	690,723
Net cash generated from operating activities		**283,540**	273,727	**277,613**	278,059
Net cash used in investing activities		**(103,174)**	(40,193)	**(99,745)**	(39,451)
Net cash used in financing activities		**(132,935)**	(192,422)	**(132,037)**	(193,235)
Effect of exchange rate change on cash and cash equivalents		**(9,672)**	2,335	**(9,638)**	1,320
Cash and cash equivalents at 31 December	50	**784,857**	747,098	**773,609**	737,416

INDEX TO NOTES TO THE FINANCIAL STATEMENTS

INDEX TO NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

CRDB Bank Plc (the "Bank") and its subsidiaries CRDB Insurance Broker Limited, and CRDB Bank Burundi S.A (together, "the Group") provide corporate and retail Banking services including microfinance and insurance services. The Bank is a public limited company incorporated under the Companies Act No.12 of 2002 and is domiciled in Tanzania.

The Bank and CRDB Insurance Brokerage Limited operate in Tanzania. CRDB Bank Burundi S.A. operates in Burundi.

The Bank's shares are listed on the Dar es Salaam Stock Exchange (DSE).

The address of its registered office is as follows:

4th Floor, Office Accommodation Scheme Building
Azikiwe Street,
P. O Box 268,
Dar es Salaam.

The consolidated and Bank's financial statements for the year ended 31 December 2020 were approved for issue by the Board of Directors on 19 March 2020. Neither the entity's owners nor others have the power to amend the financial statements after issue.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for the following;

- Debt instrument at fair value through OCI and motor vehicles and/or mobile branches -measured at fair value
- Other financial assets and liabilities measured at amortised cost as explained in the accounting policies.
- Financial assets measured at FVPL
- Equity instrument measured at FVOCI
- Equity instrument measured at FVPL

In the preparation of financial statements, the Group has considered the impact of COVID-19 especially on areas which needs significant estimates and judgements and also considered materiality assessments.

The financial statements are presented in Tanzania shillings (TZS) which is the functional currency and the amounts are rounded to the nearest million, except where otherwise indicated.

3 STATEMENT OF COMPLIANCE

The consolidated and Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Group's accounting policies.

Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The directors believe that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 PRESENTATION OF FINANCIAL STATEMENTS

The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item.

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position except when IFRS netting criteria are met.

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The following standards have been adopted by the Group and Bank for the first time for the financial year beginning in 1 January 2020:

Standard or amendment	Key requirement
Amendments to IAS 1 and IAS 8	The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: • that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and • the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The amendment had no impact on the financial statements of the Group and Bank.
Definition of a Business – Amendments to IFRS 3	The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.The amendments will likely result in more acquisitions being accounted for as asset acquisitions. The amendment had no impact on the financial statements of the Group and Bank.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

Standard or amendment	Key requirement
Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39	The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. The Group and Bank does not have hedging accounting therefore adoption of the amendments did not have an impact to their financial statements.
Revised Conceptual Framework for Financial Reporting	The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: • increasing the prominence of stewardship in the objective of financial reporting • reinstating prudence as a component of neutrality • defining a reporting entity, which may be a legal entity, or a portion of an entity • revising the definitions of an asset and a liability • removing the probability threshold for recognition and adding guidance on derecognition • adding guidance on different measurement basis, and • stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework. The revision had no impact on the financial statements of the Group and Bank.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(ii) New standards and interpretations not yet adopted by the Group and Bank

Standard or amendment	Key requirement	Effective Date
Covid-19-related Rent Concessions – Amendments to IFRS 16	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.	1 June 2020
IFRS 17 - Insurance Contracts	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 - Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The Group is still assessing the impact of amendments to IFRS 17.	1 January 2023
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(ii) New standards and interpretations not yet adopted by the Group and Bank (continued)

Standard or amendment	Key requirement	Effective Date
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non- current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.	1 January 2022 [possibly deferred to 1 January 2023]
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022

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

All new standards and interpretations not yet effective and adopted by the Group and Bank, will be adopted on the respective effective dates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(ii) New standards and interpretations not yet adopted by the Group and Bank (continued)

Standard or amendment	Key requirement	Effective Date
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020: • IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. • IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	1 January 2022

6 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries, CRDB Insurance Broker Limited and CRDB Bank Burundi S.A. for the year ended 31 December 2020. The reporting date for all subsidiaries is 31 December.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

In the separate financial statements, investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. Dividend income is recognised when the right to receive payment is established.

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Tanzanian Shillings (TZS), which is the Group's presentation and functional currency.

(ii) Transactions and balances

Transactions in foreign currencies during the year are converted into Tanzanian Shillings using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.1 Foreign currency translation (continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper inflationary economy that have a functional currency different from the presentation currency are translated into the presentation currency as follows: -

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in 'translation reserve' in equity.

7.2 Recognition of interest income and expense

7.2.1 The effective interest rate method

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' or 'interest expense' in the statement of profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes loan application and loan commitment fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

7.2.2 Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information. The Group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs). If the financial asset cures (as outlined in Note 7.16) and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

For financial assets originated or purchased credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.3 Fees and commission income

Fee and commission income is earned on the execution of a significant performance obligation, which may be when the performance obligation is fulfilled (over time) or when the significant performance obligation has been performed (point in time). The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Group's revenue contracts do not typically include multiple performance obligations.

The Group's fees and commission income from a diverse range of financial services it provides to its customers where performance obligations are satisfied over time include the following:

Transactional and processing fees: Transactional fees are service charges on deposit accounts, cash management services and transactional processing fees including interchange and merchant fee income generated from credit and bank card usage. Fees earned on the execution of a significant act typically includes transactional fees. Transaction and processing fees are recognised at the point in time the transaction occurs or service is performed. They include banking services such as Automated Teller Machine (ATM) fees, wire transfer fees, point-of-sale fees, balance transfer fees, overdraft or late fees and foreign exchange fees, among others. Interchange and merchant fees are recognised upon settlement of the card transaction payment.

These fees are received, and the Group's provides the service, monthly; the fees are recognised in income on this basis. The Group also receives certain fees in respect of its asset finance business where the performance obligations are typically fulfilled towards the end of the customer contract; these fees are recognised in income on this basis.

Loan commitment fees: These are fixed annual fees paid by customers for loan and other credit facilities with the Bank. Commitment/Facility fees received by the Group to originate loan at market interest rate are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. Commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and amortised over the loan tenure.

As the benefit of the services is transferred to the customer evenly over the period of entitlement, the fees are recognised as revenue on a straight-line basis. Payment of the fees is due and received monthly in arrears. But, where it is unlikely that a specific lending arrangement will be entered into with the customer, the loan commitment is not measured at fair value. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss. Commitment fees, together with related direct costs, for loan facilities where draw down is probable are deferred and recognised as an adjustment to the effective interest on the loan once drawn. Commitment fees in relation to facilities where draw down is not probable are recognised over the term of the commitment.

Loan syndication fees: These are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

Custody fees: The Bank earns a fixed annual fee for providing its customers with custody services, which include the safekeeping of purchased securities and processing of any dividend income and interest payments. As the benefit to the customer of the services is transferred evenly over the service period, these fees are recognised as revenue evenly over the period, based on time-elapsed. Payment of these fees is due and received quarterly in arrears.

Interchange fees: The Bank provides its customers with credit card processing services (i.e., authorisation and settlement of transactions executed with the Bank's credit cards) where it is entitled to an interchange fee for each transaction (i.e., when a credit cardholder purchases goods and services from merchants using the Bank's credit card). The fees vary based on the number of transactions processed and are structured as either a fixed rate per transaction processed or at a fixed percentage of the underlying cardholder transaction.

Contract balances

Fees and commissions receivables are recognised in the statement of financial position under 'Other assets'. The receivable is arising from revenue from contracts with customers which represent the Bank's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). These are measured at amortised cost and subject to the impairment provisions of IFRS 9. Revenue recognised from contract with customers are disaggregated based on nature and timing of revenue recognition.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.4 Net gains / (losses) on financial assets at fair value through profit or loss

Net gains/ (losses) on financial asset at FVTPL represents revenue from non-trading asset invested for the purpose of cashflow management. The financial asset is designated at FVTPL and measured at FVTPL as elected under IFRS 9. The line item represents fair value changes.

7.5 Net gains/(losses) on derecognition of financial assets measured at amortised cost or FVOCI

Net gain/(loss) on derecognition of financial assets measured at amortised cost includes income (or loss) recognised on sale or derecognition of financial assets measured at amortised costs calculated as the difference between the book value (including impairment) and the proceeds received. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and presented in the profit or loss statement within 'net gains/ (losses) on derecognition of financial assets measured at fair value through OCI'.

7.6 Financial instruments - initial recognition

7.6.1 Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the date on which the Bank becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

7.6.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value (as defined in Note 7.7), except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Receivables are measured at the transaction price.

7.6.3 Measurement categories of financial assets and liabilities

Classification and subsequent measurement of financial assets depends on;

- The Bank's business model for managing the asset; and
- The cash flow characteristics of the asset.

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

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- **Fair value through profit or loss (FVPL):** Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within 'net gains/ (losses) on financial assets at fair value through profit or loss' in the period in which it arises. Financial assets designated in this class are not held for trading.
- **Fair value through other comprehensive income (FVOCI):** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest and are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. Interest income from these financial assets is included in interest income' using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.6.3 Measurement categories of financial assets and liabilities (continued)

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

<table>
<tr><th colspan="2">Category (as defined by IFRS 9)</th><th colspan="2">Class (as determined by the Bank)</th><th>Subclass</th></tr>
<tr><td rowspan="16">Financial Assets</td><td rowspan="12">Amortized cost</td><td colspan="2">Loans and Advances to Banks</td><td></td></tr>
<tr><td rowspan="5">Loans and advances to customers</td><td rowspan="2">Loans to individuals (personal lending)</td><td>Personal Loans</td></tr>
<tr><td>Mortgage Loans</td></tr>
<tr><td>Loans to corporate entities</td><td>Corporate Customers</td></tr>
<tr><td>Loans to SMEs</td><td>SME Loans</td></tr>
<tr><td>Loans to Microfinance</td><td>Microfinance Loans</td></tr>
<tr><td colspan="3">Credit cards</td></tr>
<tr><td colspan="3">Other assets (excluding non-financial assets)</td></tr>
<tr><td rowspan="2">Investment in Debt securities</td><td>Debt instruments</td><td>Treasury Bill and Bonds (SPPI)</td></tr>
<tr><td>Private Bonds</td><td>Private Bonds</td></tr>
<tr><td colspan="3">Settlement and clearing accounts</td></tr>
<tr><td colspan="3">Cash balances with central bank</td></tr>
<tr><td rowspan="2">Fair value through other comprehensive income (FVOCI)</td><td colspan="3">Equity investments designated at FVOCI</td></tr>
<tr><td colspan="3">Other treasury bonds held to collect contractual cash flows and sale</td></tr>
<tr><td rowspan="2">Fair value through Profit or Loss (FVPL)</td><td colspan="3">Equity investments designated at FVPL</td></tr>
<tr><td colspan="3">Financial asset designated at FVPL</td></tr>
<tr><td rowspan="4">Financial liabilities</td><td rowspan="4">Financial liabilities at amortised cost</td><td colspan="3">Deposits from Banks</td></tr>
<tr><td colspan="3">Borrowings, subordinated debts and other liabilities</td></tr>
<tr><td rowspan="2">Deposits from customers</td><td colspan="2">Retail customers</td></tr>
<tr><td colspan="2">Corporate customers</td></tr>
<tr><td rowspan="2">Off-balance sheet financial instruments</td><td colspan="4">Loan commitments</td></tr>
<tr><td colspan="4">Guarantees, acceptances and other financial liabilities</td></tr>
</table>

7.7 Fair value measurement

The Group measures financial instruments such as equity investments and debt instruments at FVTPL and FVOCI investment securities at fair value at each reporting date. Fair value of financial instruments 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.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.7 Fair value measurement (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 financial instruments: Those financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on market prices or dealer price quotations. This includes listed equity securities and debt instruments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

Level 2 financial instruments: Where the fair value of financial instruments is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, FX rates, volatilities and counterparty spreads) existing at the balance sheet date.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at FVOCI. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs. The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

Level 3 financial instruments: Those that include one or more unobservable input that is significant to the measurement as whole.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets at the reporting date without any deduction for transaction costs.

The Group's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate measures are in place to ensure its quality and adequacy. All new product initiatives including their valuation methodologies are subject to approvals by various functions of the Group including Risk Department and Finance. The responsibility of ongoing measurement resides with Finance which reports to Chief Financial Officer.

The fair value estimates are being validated by:

- Benchmarking prices against observable market prices or other independent sources
- Evaluating and validating input parameters

Gains or losses on valuation of FVOCI are recognised in other comprehensive income.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Transfers between levels of the fair value hierarchy are recognized by the Group at the end of the reporting period during which the change occurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.8 Financial assets and liabilities per financial statement line

When the bank manages a group of financial assets and financial liabilities on the basis of its net exposure to either market risks or counterparty risks (as defined in IFRS 7), the bank can opt to measure the fair value of that group on the basis of the net position (that is, the net position is the unit of account that is being measured at fair value, not the individual financial assets and liabilities).

7.8.1 Loan and advances to banks, Loans and advances to customers, Debt instruments measured at amortized cost, Credit cards, Financial assets measured at FVPL, Equity instrument measure at FVPL, Equity instrument measured at FVOCI

The Bank measures Loans and advances to banks, Loans and advances to customers and other financial investments at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

7.8.1.1 Business model assessment

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

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

7.8.1.2 The SPPI test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

7.8.2 Debt instruments at FVOCI

The Group classifies debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

The ECL calculation for debt instruments at FVOCI is explained in Note 7.11.3. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.8 Financial assets and liabilities per financial statement line (continued)

7.8.3 Equity instruments at FVOCI

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

The Group's policy is to designate equity investments as FVOCI when those investments are held not for trading. Such classification is determined on an instrument-by instrument basis. Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

7.8.4 Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

7.8.5 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that either have been designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met.

Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; Or
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are designated through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of the instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate.

Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

7.8.6 Financial guarantees, letters of credit and undrawn loan commitments

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements. The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. Acceptances and letters of credit are accounted for as Off-balance sheet transactions and disclosed as contingent liabilities.

7.9 Derecognition of financial assets and liabilities

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control. The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

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

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) Is prohibited from selling or pledging the assets; and

(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

7.11 Impairment of financial assets

7.11.1 Overview of the ECL principles

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

- Loans and advances to banks;
- Loans and advances to customers;
- Debt instrument at FVOCI;
- Credit cards;
- Loan commitments issued;
- Financial guarantee and letter of credit; and
- Other assets (excluding non-financial assets).

Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12-month ECL) as outlined in Note 7.11.2. The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 10.3.2.5.

With the exception of POCI financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Lifetime ECL, i.e. ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

For the purposes of determining ECL, all facilities whose contractual payments are more than 30 days due but less than or equal to 90 days due are grouped in stage 2 as they are taken to have experienced a significant increase in credit risk.

As part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as stage 3 for ECL calculations or whether stage 2 is appropriate.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, and Stage 3 as described below:

- Stage 1: When loans are first recognized, the Bank recognizes an allowance based on 12-month ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the Lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired (as outlined in Note 10.3.8) The Bank records an allowance for the Lifetime ECL.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.11 Impairment of financial assets (continued)

7.11.1 Overview of the ECL principles (continued)

- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

7.11.2 Calculation of ECL

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

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

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD – The Probability of Default is an estimate of the likelihood of default over a given time horizon. It calibrated over up to 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating the impact of forward-looking economic assumptions that have an effect on credit risk, such as interest rates, unemployment rates and GDP forecasts. The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

EAD – The Exposure at Default is an estimate of the exposure at a future default date, taking into account the expected change in exposure over the lifetime of the exposure. This incorporates the impact of drawdowns of committed facilities, repayments of principal and interest, amortisation and prepayments, together with the impact of forward-looking economic assumptions where relevant. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortized products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on an analysis of the Group's recent default data.

LGD – The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Bank expects to receive. The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.11 Impairment of financial assets (continued)

7.11.2 Calculation of ECL (continued)

The mechanics of the ECL method are summarised below:

Stage 1: The 12-month ECL is calculated as the portion of Lifetime ECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the Lifetime ECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the Lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Group recognizes the Lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECL since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.

Loan commitments and letters of credit: When estimating Lifetime ECL for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For loan commitments and letters of credit, the ECL is recognised within other liabilities.

Financial guarantee contracts: the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party. The ECL related to financial guarantee contracts are recognised within Provisions.

When estimating the ECL, the Bank considers three scenarios (a base case, an upside, and a downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset. With the exception of credit cards and other revolving facilities, for which the treatment is separately set out in Note 7.11.4, the maximum period for which the credit losses are determined is the contractual life of a financial instrument.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis. The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on an annual basis

7.11.3 Debt instruments measured at fair value through OCI

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.11 Impairment of financial assets (continued)

7.11.4 Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities within a notice period. The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade but greater emphasis is also given to qualitative factors such as changes in usage. The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently not charged interest.

7.11.5 Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in Lifetime ECL since initial recognition in the loss allowance.

7.11.6 Forward-looking economic information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as, GDP growth, unemployment rates, inflation rates, lending rate, and money supply. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note 7.11.2 for an explanation of forward- looking information and its inclusion in ECL calculations.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Despite COVID-19 pandemic in respect of forward looking information applied in ECL model there was insignificant changes, hence no significant adjustment with respect to economic assumptions applied and disclosed by the bank as at 31 December 2020.

7.11.7 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the consolidated 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: as a provision under other liabilities; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the cumulative changes in fair value reserve.

7.11.8 Limitation of estimation techniques

The models applied by the Group may not always capture all characteristics of the market at a point in time as they cannot be recalibrated at the same pace as changes in market conditions. Interim adjustments are expected to be made until the base models are updated. Although the Group uses data that is as current as possible, models used to calculate ECLs are based on data that is up to date except for certain macro-economic factors for which the data is updated once it is available.

7.12 Credit enhancements: collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, and other non-financial assets. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed upon issuing an additional loan or restructuring a loan. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.12 Credit enhancements: collateral valuation and financial guarantees (continued)

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage Broker, or based on housing price indices.

Guarantees held are included in the measurement of loan ECL when either they are specified in the contractual terms of the loan or else are integral to the loan, in that they formed part of the basis on which the loan was extended. Guarantees that are not integral to the loan's contractual terms are accounted as separate units of accounts subject to ECL.

As a consequence of the impact of COVID-19 on markets and financial instrument valuations there was insignificant impact on the value with respect to COVID-19 which were taken into account in the measurement of ECL.

7.13 Collateral repossessed

The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Group's policy.

In its normal course of business, the Group engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

7.14 Write-offs

Financial assets are ritten off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to profit or loss.

The Group writes off non-performing financial assets that have been past due for more than four (4) consecutive quarters. The Group may write-off financial assets in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full. The assessment is done to specific borrower.

7.15 Forborne and modified financial assets

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. So as to renegotiate or modify the contractual cash flows of loans to customers, the Bank assesses whether or not the new terms are substantially different to the original terms.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.15 Forborne and modified financial assets (continued)

The Bank does this by considering, among others, the following factors:

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

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition. The Group monitors the subsequent performance of modified assets until they are completely and ultimately derecognised. The Group may determine that the credit risk has significantly improved after modification, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms. Differences in the carrying amount are recognised in profit or loss as a gain or loss on derecognition. A loan will remain at its original stage until it meets the criteria of cure as described in Note 7.16.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

7.16 Cure of non-performing financial assets including modified loans

An instrument is considered to no longer be SICR or in default (i.e. to have cured) when it has been established that the obligor is able to meet the requirements of the agreed terms and conditions. IFRS 9 allows credit exposures to migrate from higher credit risk categories to lower credit risk categories, that is, from stage 3 to stage 2 and from stage 2 to stage 1.

Under migration from stage 3 to stage 2, the Bank shall consider criteria for upgrade of credit accommodations as follows:

i) In the case of overdraft facilities, the account has satisfactorily performed for a minimum period of two consecutive quarters; and
ii) In the case of term loans, the obligor has timely paid four consecutive installments.

These periods have been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions. The Group has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2020.

On the other hand, credit exposures may migrate from stage 2 to stage 1 when there is a significant improvement of the credit exposure. In determining whether an exposure should shift backward from stage 2 to stage 1, The Bank shall consider the following;

i) All outstanding payments on the credit facility are made on time and there are no payments in arrears.
ii) There is improvement of the quantitative and qualitative factors that caused significant increase of the credit risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.16 Cure of non-performing financial assets including modified loans (continued)

Upgrade from stage 2 to stage 1 shall be subject to a monitoring period of 90 days for conventional loans and 30 days for Microfinance loans to confirm if the risk of default has decreased sufficiently before upgrading such exposure.

For credit exposures that have cured i.e. shifted from stage 2 to stage 1, or stage 3 to stage 2, interest income is calculated on gross carrying amount of the asset at the beginning of the period before allowance for ECLs using effective interest rate. The gross carrying amount of the exposure shall be the amortized cost at the end of the period less allowance for ECL computed.

7.17 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with Central bank, Investment securities and amounts Loans and advances to Banks. Cash and cash equivalents excludes the cash reserve requirement held with Central bank.

7.18 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the EIR.

7.19 Leases

The Bank chooses to apply the practical expedient not to reassess whether a contract is, or contains, a lease at the date of initial application for all previously and ongoing contracts identified as leases under IAS 17 Leases at the date of initial application.

After the date of initial application, all the new contracts are assessed at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank leases office space in various parts of the region. Rental contracts are typically made for fixed periods of three to ten years but may have extension options as described in (v) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Bank is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.19 Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option; and
- Lease payments to be made under reasonably certain extension options are also included inthe measurement of the liability.

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

To determine the incremental borrowing rate, the Bank:

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

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

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

(i) Extension and termination options

Extension and termination options are included in a number of property leases contracts. These terms are used to maximise operational flexibility in terms of managing contracts.

(ii) Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.19 Leases (continued)

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a) Right-of-use asset

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 7.22 Impairment of non-financial assets.

b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments.

c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets (i.e. those that have the value of TZS 2 million or below) recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.20 Property and equipment, motor vehicles, and mobile branches

Upon initial recognition motor vehicles and/or mobile branches are recorded at cost which includes expenditure that is directly attributable to the acquisition of the items. Subsequently, motor vehicles and/or mobile branches are stated in the statement of financial position at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The valuation is determined by independent valuers with reference to the market value of the motor vehicles and/or mobile branches. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation increase arising on the revaluation of such motor vehicles and/or mobile branches is recognized in other comprehensive income and cumulated in revaluation reserve in equity except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

A decrease in the carrying amount arising on the revaluation of such motor vehicles and/or mobile branches is recognized in profit or loss to the extent that it exceeds the balance, if any, held in revaluation reserve relating to a previous revaluation of that asset. Excess depreciation arising on the revaluation is amortized over the remaining useful life of the revalued assets through a transfer from revaluation reserve to retain earnings.

Land and buildings comprise mainly conventional branches and offices. All property and equipment except motor vehicles and mobile branches are stated at historical cost less 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 are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. Depreciation of assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives (or lease periods if shorter), as follows:

Items	Useful life
Bank buildings	40 years
Computer equipment	5 years
Motor vehicles	7 years
Office equipment	5 years
Smart card equipment	8 years
Mobile branch	7 years
Security equipment	5 years
Leasehold improvements (ATM sites)	8 years
Right-of-use assets	3 - 5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

When revalued assets are sold, the amounts included in revaluation surplus relating to those assets are transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.21 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. Amortization methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted where appropriate.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (ten years for the core banking system, and three to five years for other systems).

7.22 Impairment of non-financial assets

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

For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

7.23 Provisions

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

7.24 Taxes

7.24.1 Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the Tanzania Regulatory Authority. Income tax expense is the aggregate of the charge to the profit or loss in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Tanzanian Income Tax Act.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the statement of profit or loss.

7.24.2 Deferred tax

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

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

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to the fair value remeasurement of debt instruments at fair value through OCI, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI.

7.24.3 Levies and similar charges

The Group recognises the liability arising from levies and similar charges such as City service levy paid quarterly to the local government authority, excise and stamp duty paid monthly to TRA. These charges are to be legally enforceable in the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.25 Equity instruments

Own equity instruments of the Group which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity. Consideration paid or received on the purchase, sale, issue or cancellation of the Bank's own equity instruments is recognised directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of own equity instruments.

7.26 Borrowing costs

The Bank incurs borrowing costs in relation to the acquisition of borrowed funds. The costs are amortized and expensed based on the tenor of the borrowed funds.

7.27 Financial liabilities

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Financial liabilities are derecognized when extinguished. Such financial liabilities include deposits from banks or customers, other liabilities, subordinate debts and borrowings.

7.28 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 or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

7.29 Earnings per share

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

7.30 Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established.

The presentation of dividend income in the consolidated statement of profit or loss depends on the classification and measurement of the equity investment, i.e.:

- for equity instruments designated at FVOCI dividend income is presented in other income; and
- for equity instruments not designated at FVOCI and not held for trading, dividend income is presented as net income from other instruments at FVPL

7.31 Dividend distribution

Dividends are charged to equity in the period in which they are declared. Proposed dividends are not accrued until declared at the Annual General Meeting. Payment of dividends is subjected to withholding tax at the enacted rate of 5%.

7.32 Legal and other claims

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

7.33 Contingencies and commitments

Transactions are classified as contingencies where the Group's obligations depend on uncertain future events. Items are classified as commitments where the Group commits itself to future transactions if the items will result in the acquisition of assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.34 Employee benefits

Contract staff are entitled to gratuity payment at the completion of the contract. Provision is made for gratuity in line with the contracts. The gratuity is not a defined benefit arrangement.

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

7.35 Grants

Grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Grants relating to the purchase of property, plant and equipment are included in current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

7.36 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's Management Team, which is chief operating decision maker. The Group's is divided into three business segments and two geographic segments. Details of the Group's segments are provided under Note 9.

8 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Bank's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

8.1 Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

a) The Bank's internal credit grading model, which assigns PDs to the individual grades.

b) The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment :- Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors (as per note 4), the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. Financial assets that are 30 or less days past due are considered to be have low credit risk.

c) Cure rate :- Cure rate is a percentage of credit exposure accounts which were in default category, but as at assessment date have moved to a better category. Cure rate shall be factored in at the LGD level when assessing recovery rate. The rate reduces the percentage of loss given default and is computed at the overall credit portfolio level. Consideration of movement of accounts is done annually. Qualitative criteria applied when checking whether the account has cured or not are those in line with Bank of Tanzania guideline on IFRS 9 Implementation. Defaulted accounts which are assessed whether they have cured shall exclude accounts which have restructured or which have been charged off during the period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

8.1 Impairment losses on financial assets (continued)

d) The segmentation of financial assets when their ECL is assessed on a collective basis :- When ECLs are measured on a collective basis, the financial instruments are Grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that Group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

e) Development of ECL models, including the various formulas and the choice of inputs.

f) Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.

g) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models :- The evolving economic environment is a key determinant of the ability of a Bank's clients to meet their obligations as they fall due. It is a fundamental principle of IFRS 9 that the provisions banks hold against potential future credit risk losses should depend not just on the health of the economy today, but should also take account of changes to the economic environment in the future. To capture the effect of changes to the economic environment in the future, the computation of probability of default (PD), loss given default (LGD) and so expected credit loss incorporates forward-looking information; assumptions on the path of economic variables and asset prices that are likely to have an effect on the repayment ability of the Group's clients. Such variables include Inflation, GDP Growth, oil prices fluctuation, average electricity generation, natural gas, population, total household spending, total food sales, total public debt, Government spending in priority sector, unemployment rate, exchange rate movement.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary. Moreover, the Bank regularly review its models in the context of expected loss experience and adjust when necessary.

Management has assessed ECL calculations due to COVID-19 pandemic in consideration of below factors:

- Changes to the economic outlook and the impact on macroeconomic scenarios and assumptions.
- Qualitative assessment in considering portfolio level credit risk analysis by accelerate provision to some customers on a case by case basis on the sectors affected by COVID-19 Pandemic.
- Extension of payment term on modified financial assets.
- The effect of government and other support programmes.
- Assessment on significant increase in credit risk in line with COVID-19.

8.2 Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. Changes in valuation assumptions could affect the reported fair value of the financial instruments. The impact on change in assumptions on the fair value is disclosed under Note 7.7.

8.3 Effective Interest Rate (EIR) method

The Bank's EIR method, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). In making this assessment, the Bank considers the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

8.4 Deferred tax assets

The recognition of a deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning and strategies. The deferred tax asset recognized on the Group's statement of financial position in year 2020 amounted to TZS 48,639 million (2019: TZS 81,950 million) and TZS 48,647 million (2019: TZS 81,957 million) for the Bank. The judgments take into consideration the effect of both positive and negative evidence, including historical financial performance, projections of future taxable income, and future reversals of existing taxable temporary differences.

8.5 Provisions and other contingent liabilities

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings arising in the ordinary course of the Bank's business. When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosers in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents.

8.6 Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee)

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

8.7 Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

8.8 Property, equipment and intangible assets

Critical estimates are made by the directors in determining the useful lives of property, equipment and intangible assets as well as their residual values. The Group reviews the estimated useful lives of property, equipment and useful lives at the end of each reporting period. Applicable useful rates are provided under Note 7.20.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 SEGMENT INFORMATION

In accordance with IFRS 8, the Group has the following business segments: Treasury, Retail Banking and Microfinance services and Corporate Banking.

Operating segments are reported in a manner consistent with the internal reporting. All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

The following segment information has been prepared in accordance with the "management approach" which requires presentation of segments on the basis of the internal reports about components of the entity which are regularly reviewed by the executive committee who are the chief operating decision makers in order to allocate resources to segments and to assess their performance. The agreed allocation basis between segments was not changed during the year.

The following business segments represent the Group's organization structure as reflected in the internal management reporting system. For management purposes, the Group is divided into the following three segments:

i) Corporate Banking

Includes services and products to corporate and high net worth individuals including deposits, letters of credit, guarantee, lending and other products and dealing with financial institutions.

ii) Retail Banking and microfinance

Includes services and products to individuals and small and medium enterprises, including deposits and lending.

iii) Treasury

Includes treasury services, investment management services and asset management activities related to dealing, managing and custody of securities. This segment also includes all other cost centers and profit centers in the head office in areas of technology services and support and currency exchange.

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses and is measured consistently with operating profits or losses in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 SEGMENT INFORMATION

9.1 Profit segments

An analysis of the Profit or Loss statement, total assets and liabilities are, as follows;

GROUP				In TZS' Million
Year ended 31 December 2020	**Corporate Banking**	**Retail Banking**	**Treasury**	**Total**
External Operating income				
Interest income Calculated using the Effective Interest Method	129,199	372,537	197,558	699,294
Interest expense Calculated using the Effective Interest Method	(37,031)	(51,478)	(27,796)	(116,305)
Other Interest and Similar expense	(583)	(1,912)	(14)	(2,509)
Add/ (less) inter-segment interest income	14,353	13,286	(27,639)	-
Net interest income	105,938	332,433	142,109	580,480
Impairment of financial assets	(30,774)	(45,110)	2,819	(73,065)
Net Interest income after loan impairment charges	75,164	287,323	144,928	507,415
Fee and Commission income	62,696	139,976	1,420	204,092
Fee and Commission expense	(10,554)	(25,879)	-	(36,433)
Net Fee and Commission income	52,142	114,097	1,420	167,659
Foreign exchange income	-	-	36,721	36,721
Net gains on derecognition of financial assets measured at FVPL	-	556	-	556
Net gain or (loss) on equity investments at fair value through profit or loss	-	-	(485)	(485)
Net gains on derecognition of financial assets measured at FVOCI	11,118	8,392	-	19,510
Other operating income	-	4,261	-	4,261
Net operating income	138,424	414,629	182,584	735,637
General and Administrative Expense	(35,354)	(82,393)	(14,926)	(132,673)
Impairment Other Assets	(3,559)	(11,376)	(86)	(15,021)
Depreciation and amortisation	(11,300)	(37,279)	(10,139)	(58,718)
Employee benefit expenses	(40,109)	(198,447)	(54,498)	(293,054)
	(90,322)	(329,495)	(79,649)	(499,466)
Profit Before Tax	48,102	84,649	103,420	236,171
Income Tax Expense	(14,458)	(25,442)	(31,085)	(70,985)
Profit for the year	33,644	59,207	72,335	165,186
Asset and Liability				
Segment assets	1,480,023	2,449,917	1,859,889	5,789,829
PPE Additions	26,133	43,167	29,589	98,889
Unallocated Asset	-	-	-	1,281,754
Total Assets	1,506,156	2,493,084	1,889,478	7,170,472
Segment liabilities	(1,875,499)	(3,565,280)	(566,673)	(6,007,452)
Unallocated liabilities	-	-	-	(152,034)
Total Liabilities	(1,875,499)	(3,565,658)	(566,673)	(6,159,486)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 SEGMENT INFORMATION (CONTINUED)

9.1 Profit segments (continued)

An analysis of the Profit or Loss statement, total assets and liabilities are, as follows;

GROUP				In TZS' Million
Year ended 31 December 2019	**Corporate Banking**	**Retail Banking**	**Treasury**	**Total**
External Operating income				
Interest income Calculated using the Effective Interest Method	158,203	307,129	180,755	646,087
Interest expense Calculated using the Effective Interest Method	(30,056)	(52,731)	(31,599)	(114,386)
Other Interest and Similar expense	(605)	(1,994)	(16)	(2,615)
Add/ (less) inter-segment interest income	20,418	23,893	(44,311)	-
Net interest income	147,960	276,297	104,829	529,086
Impairment of financial assets	(85,234)	(5,663)	(606)	(91,503)
Net Interest income after loan impairment charges	62,726	270,634	104,223	437,583
Fee and Commission income	56,955	131,786	978	189,719
Fee and Commission expense	(18,183)	(14,972)	-	(33,155)
Net Fee and Commission income	38,772	116,814	978	156,564
Foreign exchange income	-	-	38,660	38,660
Net gain or (loss) on equity investments at fair value through profit or loss	-	-	379	379
Net gains on derecognition of financial assets measured at FVOCI	2,909	3,404	-	6,313
Other operating income	-	2,132	-	2,132
Net Operating Income	104,407	392,984	144,240	641,631
General and Administrative Expense	(26,333)	(92,581)	(18,268)	(137,182)
Impairment Other Assets	(3,726)	(6,412)	(48)	(10,186)
Employee benefit expenses	163,755	(174,640)	(48,176)	(59,061)
Depreciation and amortisation	(213,405)	(37,367)	(9,745)	(260,517)
	(79,709)	(311,000)	(76,237)	(466,946)
Profit Before Tax	24,699	82,362	67,624	174,685
Income Tax Expense	(7,711)	(25,715)	(21,114)	(54,540)
Profit for the year	16,988	56,647	46,510	120,145
Asset and Liability				
Segment assets	1,316,114	2,065,910	1,728,484	5,110,508
Asset Additions	10,323	16,214	13,548	40,085
Unallocated Asset	-	-	-	1,446,655
Total Assets	1,326,437	2,082,124	1,742,032	6,597,248
Segment liabilities	(1,903,964)	(3,306,268)	(354,688)	(5,564,920)
Unallocated liabilities	-	-	-	(159,259)
Total Liabilities	(1,903,964)	(3,306,268)	(354,688)	(5,724,179)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 SEGMENT INFORMATION (CONTINUED)

9.1 Profit segments (continued)

An analysis of the Profit or Loss statement, total assets and liabilities are, as follows;

BANK				In TZS' Million
Year ended 31 December 2020	**Corporate Banking**	**Retail Banking**	**Treasury**	**Total**
External Operating income				
Interest income Calculated using the Effective Interest Method	129,685	358,978	182,466	671,129
Interest expense Calculated using the Effective Interest Method	(37,031)	(46,192)	(25,849)	(109,072)
Other Interest and Similar expense	(583)	(1,863)	(15)	(2,461)
Add/ (less) inter-segment interest income	9,621	8,489	(18,110)	-
Net interest income	101,692	319,412	138,492	559,596
Impairment of Financial Assets	(30,880)	(44,689)	2,819	(72,750)
Net interest income after loan impairment charges	70,812	274,723	141,311	486,846
Fee and commission income	60,714	131,887	1,420	194,021
Fee and commission expense	(10,755)	(25,673)	-	(36,428)
Net fee and commission income	49,959	106,214	1,420	157,593
Foreign exchange income	-	-	34,444	34,444
Net gain or (loss) on equity investments at fair value through profit or loss			(485)	(485)
Net gains on derecognition of financial assets measured at FVOCI	11,118	8,392	-	19,510
Other operating income	-	6,931	-	6,931
Net Operating Income	131,889	396,260	176,690	704,839
General and Administrative Expense	(35,176)	(77,182)	(14,861)	(127,219)
Impairment Other Assets	(3,559)	(11,376)	(86)	(15,021)
Depreciation and amortisation	(11,274)	(36,046)	(10,102)	(57,422)
Employee benefit expenses	(39,652)	(190,065)	(53,877)	(283,594)
	(89,661)	(314,669)	(78,926)	(483,256)
Profit before tax	41,743	81,591	98,249	221,583
Income tax expense	(12,922)	(25,258)	(30,414)	(68,594)
Profit for the year	28,821	56,334	67,835	152,989
Asset and liability				
Segment assets	1,509,573	2,346,592	1,724,623	5,580,788
Assets additions	26,567	41,298	27,595	95,460
Unallocated assets	-	-	-	1,265,197
Total assets	1,536,140	2,387,890	1,752,218	6,941,445
Segment liabilities	(2,043,594)	(3,196,683)	(566,445)	(5,806,722)
Unallocated liabilities	-	-	-	(149,419)
Total liabilities	(2,043,594)	(3,199,571)	(567,035)	(5,956,141)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 SEGMENT INFORMATION (CONTINUED)

9.1 Profit segments (continued)

An analysis of the Profit or Loss statement, total assets and liabilities are, as follows;

BANK Year ended 31 December 2019	Corporate Banking	Retail Banking	Treasury	In TZS' Million Total
External Operating income				
Interest income Calculated using the Effective Interest Method	157,682	300,374	168,438	626,494
Interest expense Calculated using the Effective Interest Method	(30,056)	(48,048)	(31,599)	(109,703)
Other Interest and Similar expense	(604)	(1,933)	(16)	(2,553)
Add/ (less) inter-segment interest income	20,676	24,195	(44,871)	-
Net interest income	147,698	274,588	91,952	514,238
Impairment of financial assets	(85,234)	(5,647)	(606)	(91,487)
Net interest income after loan impairment charges	62,464	268,941	91,346	422,751
Fee and commission income	56,955	122,097	978	180,030
Fee and commission expense	(18,183)	(14,628)	-	(32,811)
Net fee and commission income	38,772	107,469	978	147,219
Foreign exchange income	-	-	37,861	37,861
Net gain or (loss) on equity investments at fair value through profit or loss		379		379
Net gains on derecognition of financial assets measured at FVOCI	2,909	3,404	-	6,313
Other operating income	-	8,606	-	8,606
Net Operating Income	104,145	388,799	130,185	623,129
General and administrative expense	(38,230)	(88,095)	(18,361)	(144,686)
Impairment Other Assets	(2,007)	(6,412)	(48)	(8,467)
Depreciation and amortisation	(11,869)	(35,942)	(9,635)	(57,446)
Employee benefit expenses	(40,770)	(164,453)	(46,905)	(252,128)
	(92,876)	(294,902)	(74,949)	(462,727)
Profit before tax	25,804	93,898	55,236	174,938
Income tax expense	(7,713)	(28,068)	(16,511)	(52,292)
Profit for the year	18,091	65,830	38,725	122,646
Asset and liability				
Segment assets	1,326,946	1,998,667	1,620,936	4,946,549
Assets additions	10,677	16,065	13,018	39,760
Unallocated assets	-	-	-	1,438,979
Total assets	1,338,958	2,014,732	1,633,954	6,425,288
Segment liabilities	(2,015,711)	(3,099,943)	(303,590)	(5,419,246)
Unallocated liabilities	-	-	-	(151,723)
Total liabilities	(2,015,711)	(3,099,943)	(303,590)	(5,570,969)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 SEGMENT INFORMATION (CONTINUED)

9.2 Geographical information

Geographically, the Group operates in the United Republic of Tanzania and in the Republic of Burundi. The financial performance and financial position of the Group by the geographic segments is as follows:

				In TZS' Million
Year ended 31 December 2020	**Tanzania**	**Burundi**	**Consolidation**	**Total**
External operating income				
Interest income Calculated using the Effective Interest Method	671,129	33,983	(5,818)	699,294
Interest expense Calculated using the Effective Interest Method	(109,072)	(13,051)	5,818	(116,305)
Other Interest and Similar expense	(2,461)	(48)	-	(2,509)
Net interest income	559,596	20,884	-	580,480
Impairment of financial assets	(72,750)	(315)		(73,065)
Net interest income after loan impairment charges	486,846	20,569	-	507,415
Fee and commission income	204,808	2,161	(2,877)	204,092
Fee and commission expense	(35,629)	(804)	-	(36,433)
Net fee and commission income	169,179	1,357	(2,877)	167,659
Foreign exchange income	34,444	2,277		36,721
Net gains on derecognition of financial assets measured at FVPL	556	-	-	556
Net gain or (loss) on equity investments at fair value through profit or loss	(485)		-	(485)
Net gains on derecognition of financial assets measured at FVOCI	19,510	-	-	19,510
Other operating income	4,261	-	-	4,261
Net Operating Income	711,434	24,203	-	735,637
General and administrative expense	(127,888)	(4,785)	-	(132,673)
Impairment Other Assets	(15,021)	-	-	(15,021)
Depreciation and amortisation	(57,569)	(1,149)	-	(58,718)
Employee benefit expenses	(286,853)	(6,201)	-	(293,054)
	(487,331)	(12,135)	-	(499,466)
Profit before tax	226,980	12,068	(2,877)	236,171
Income tax expense	(71,015)	(834)	864	(70,985)
Profit for the year	155,965	11,234	(2,013)	165,186
Asset and liability				
Segment assets	5,568,841	351,844	(130,856)	5,789,829
Assets additions	97,391	1,498	-	98,889
Unallocated assets	-	-	-	1,281,754
Total assets	5,666,232	353,342	(130,856)	7,170,472
Segment liabilities	(5,957,020)	(311,640)	109,174	(6,159,486)
Total liabilities	(5,957,020)	(311,640)	109,174	(6,159,486)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 SEGMENT INFORMATION (CONTINUED)

9.2 Geographical information (continued)

				In TZS' Million
Year ended 31 December 2019	**Tanzania**	**Burundi**	**Consolidation**	**Total**
External operating income				
Interest income Calculated using the Effective Interest Method	626,494	23,921	(4,328)	646,087
Interest expense Calculated using the Effective Interest Method	(109,641)	(9,073)	4,328	(114,386)
Other Interest and Similar expense	(2,553)	(62)	-	(2,615)
Net interest income	514,300	14,786	-	529,086
Impairment of financial assets	(91,366)	(137)	-	(91,503)
Net interest income after loan impairment charges	422,934	14,649	-	437,583
Fee and commission income	186,051	3,668	-	189,719
Fee and commission expense	(32,412)	(743)	-	(33,155)
Net fee and commission income	153,639	2,925	-	156,564
Foreign exchange income	37,860	800	-	38,660
Net gains on derecognition of financial assets measured at FVPL	379			379
Net gain or (loss) on equity investments at fair value through profit or loss	6,313	-	-	6,313
Net gains on derecognition of financial assets measured at FVOCI	2,132	-	-	2,132
Net Operating Income	623,257	18,374		641,631
General and administrative expense	(132,419)	(4,763)	-	(137,182)
Impairment Other Assets	(10,186)		-	(10,186)
Depreciation and amortisation	(57,877)	(1,184)	-	(59,061)
Employee benefit expenses	(254,835)	(5,682)	-	(260,517)
	(455,317)	(11,629)	-	(466,946)
Profit before tax	167,940	6,745	-	174,685
Income tax expense	(52,434)	(2,106)	-	(54,540)
Profit for the year	115,506	4,639	-	120,145
Asset and liability				
Segment assets	4,949,759	258,006	(97,257)	5,110,508
Assets additions	39,912	173	-	40,085
Unallocated assets	-	-	-	1,446,655
Total assets	4,989,671	258,179	(97,257)	6,597,248
Segment liabilities	(5,426,894)	(226,876)	(70,409)	(5,724,179)
Total liabilities	(5,426,894)	(226,876)	(70,409)	(5,724,179)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 SEGMENT INFORMATION (CONTINUED)

9.2 Geographical information (continued)

Cash flows from operating, investing and financing activities for the geographical segments are as follows:

			In TZS' Million
Year ended 31 December 2020	**Tanzania**	**Burundi**	**Total**
Net cash from operating activities	**293,520**	**(8,933)**	**284,587**
Net cash used in investing activities	**(100,422)**	**(3,799)**	**(104,221)**
Net cash used in financing activities	**(176,059)**	**43,124**	**(132,935)**
Net increase in cash and cash equivalents	**17,039**	**30,392**	**47,431**
Cash and cash equivalents at 1 January	**750,034**	**(2,936)**	**747,098**
Effect of exchange rate change in cash and cash equivalent	**(9,721)**	**49**	**(9,672)**
Cash and cash equivalent at 31 December	**757,352**	**27,505**	**784,857**

Year ended 31 December 2019	**Tanzania**	**Burundi**	**Total**
Net cash from operating activities	283,461	(9,734)	273,727
Net cash used in investing activities	(38,696)	(1,497)	(40,193)
Net cash used in financing activities	(202,677)	10,255	(192,422)
Net increase in cash and cash equivalents	42,088	(976)	41,112
Cash and cash equivalents at 1 January	684,189	19,462	703,651
Effect of exchange rate change in cash and cash equivalent	23,757	(21,422)	2,335
Cash and cash equivalent at 31 December	750,034	(2,936)	747,098

In computing the above segment information;

- Interest Income, Interest Expense and Loan Impairment charges segmentation computation has been changed from systematic allocation basis using agreed internal allocation basis to specific identification from individual segment;
- Expenses have been specifically identified with individual segment or using agreed internal allocation. Retail (branch) overhead cost has been transferred to Corporate and Treasury due to Retail segment support to corporate and treasury business through branch network whose costs are assumed to be shared at 5 and 10 percent of retail (Administrative and staff overhead) between treasury and corporate segment respectively.
- Assets and liabilities have been either specifically identified with individual segment or allocated to segment on a systematic basis using an agreed internal allocation basis. Cash, Bank Balances, Debt instruments and loans and advances to banks have been allocated to Treasury; Loans and advances and Deposits have been allocated to Corporate and Retail Segments.
- Unallocated assets includes, Sundry debtors, bills receivables, Bank card stock, advance payment for capital expenditures, prepayments, receivables from mobile phone companies, tax related accounts and due from related party. Unallocated liabilities includes; bills payables, dividends payable, accrued expenses, deferred income, sundry creditors, credit outstanding, unclaimed customers balances and due to related party.
- Inter-segment transactions have been generally based on transfer pricing measures as determined by the Management.

There were no revenues from transactions with a single external customer that amounted to 10% or more of the Group's revenues in 2020 or 2019.

Currently it is not possible to segregate revenues from external customers for each product and service as the information is not available and the cost to develop will be excessive.

There were no any changes from prior periods in the measurement methods used to determine the reported segment profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT

10.1 Introduction and risk profile

CRDB Group is based in Tanzania and has operations in Burundi as well. Whilst risk is inherent in the Group's activities, it is managed through an integrated risk management framework, including ongoing identification, measurement and monitoring, and subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each employee in the Group is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk.

10.1.1 Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed members of the Risk Committee, which is responsible for monitoring the overall risk process within the Bank. The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Board.

10.1.2 Risk mitigation and risk culture

As part of its overall risk management, the Group monitors current and forecasted economic variables such as economic growth, inflation, foreign exchange trends, interest rates, loan book performance and determines their impact on its strategies. To remain effective, the Group sets limits to monitor risk exposures to different economic sectors and/or risk areas which are continuously monitored to ensure that appropriate actions are taken timely to address them. We promote a strong risk culture where employees at all levels are responsible for the management and escalation of risks and are empowered and encouraged to act as risk managers. We expect employees to exhibit behaviours that support a strong risk culture in line with our Code of Conduct. This expectation continues to be reinforced through communications campaigns and mandatory training courses for employees. In addition, our Board members and senior management frequently communicate the importance of a strong risk culture to support a consistent tone from the top.

10.1.3 Risk measurement and reporting systems

The Group's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur. Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept.

Risk reports are submitted regularly to senior management committees and the Board to keep them apprised of the Group's risk profile. A Group Risk Profile report which is produced monthly covers all the significant risks inputs for each risk type that is tabled to the Board Risk Committee for review and auctioning on a quarterly basis. Similarly, there is a process to report and monitor intercompany risk exposures through the Group ALCO.

It is the Bank's policy to ensure that a robust risk awareness is embedded in its organisational risk culture. Employees are expected to take ownership and be accountable for the risks the Bank is exposed to that they decide to take on. The Bank's continuous training and development emphasises that employees are made aware of the Bank's risk appetite and they are supported in their roles and responsibilities to monitor and keep their exposure to risk within the Bank's risk appetite limits. Compliance breaches and internal audit findings are important elements of employees' annual ratings and remuneration reviews.

10.2 Risk governance and risk management strategies and systems

Our risk governance frameworks, policies and appetite provide the principles and guidance for the Group's risk management activities. They guide our key decisions for capital management, strategic planning and budgeting and performance management to ensure that the risk dimension is appropriately and sufficiently considered.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. As part of its governance structure, the Board of Directors has embedded a comprehensive risk management framework for identifying, measuring, controlling (setting risk mitigations) and monitoring of the Group's risks.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.2 Risk governance and risk management strategies and systems (continued)

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees/stakeholders understand their roles and obligations. The Board's Credit Committee, Governance, Human Resource, Risk Management Committee, and Audit Committee are responsible for monitoring compliance with the Group's risk management policies and procedures, and review of the adequacy of risk management framework in relation to the risks faced by the Group. These committees are assisted in these functions by various management committees which undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

The Group's Risk Management Framework is implemented through a 'three lines of defence' model which defines clear responsibilities and accountabilities and ensures effective independent oversight and assurance activities take place covering key decisions.

First Line of Defence – The Risk Owner : The business and support units have primary responsibility for implementing and executing effective controls to manage the risks arising from their business activities. This includes establishing adequate managerial and supervisory controls to ensure compliance with risk policies, appetite, limits and controls and to highlight control breakdowns, inadequacy of processes and unexpected risk events.

Second Line of Defence – Risk Oversight :The Risk and Compliance department, which is a centralised function, headed by the Director of Risk and Compliance, provide the Second Line of Defence. It supports the Group's strategy of balancing growth with stability by establishing risk frameworks, policies, appetite and limits within which the business functions must operate. They are also responsible for the independent review and monitoring of the Group's risk profile and for highlighting any significant vulnerabilities and risk issues to the respective senior management committees. The independence of risk and control oversight functions from business functions ensures that the necessary checks and balances are in place.

Third Line of Defence – Independent Audit : The Group's internal auditors conduct risk-based audits covering all aspects of the First and Second Lines of Defence to provide independent assurance to the Audit Committee (AC) and the Board, on the effectiveness of the risk management and control structure, policies, frameworks, systems and processes.

The major risks to which the Group is exposed, including non-financial risks are credit risk, operational risk, compliance risk, reputation risk, business risk, strategic risk, market risk, liquidity risk and capital risk.

A combination of these risks occurring concurrently would be the most likely cause of significant loss. The Group's approach to managing risk on a holistic basis therefore ensures that risks are not managed in isolation.

10.2.1 Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. We perform regular assessments of emerging risks and in-depth reviews on industry trends to provide a forward-looking view on developments that could impact the Group's portfolio.

10.3 Credit risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. There is also credit risk in the off-balance sheet financial instruments, such as loan commitments, letters of credit and guarantees. The credit risk management and control are centralised under the credit risk management team of the Bank and reported to the Board of Directors and management regularly. The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.1 Credit-related commitments risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings on behalf of a customer authorising a third party to draw drafts on a 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 Group and Bank are potentially exposed to loss in amounts equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group and Bank monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

10.3.2 Impairment assessment

10.3.2.1 Definition of default and credit-impaired assets

IFRS 9 does not define default but requires the definition to be consistent with the definition used for internal credit risk management purposes. The Group considers a financial asset as 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

Loans and advances to customers, credit cards, loan commitments and financial guarantees

Quantitative criteria

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

Qualitative criteria

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

- the borrower is in long-term forbearance
- the borrower is deceased
- the borrower is insolvent
- the borrower is in breach of financial covenant(s)
- an active market for that financial asset has disappeared because of financial difficulties
- concessions have been made by the lender relating to the borrower's financial difficulty
- it is becoming probable that the borrower will enter Bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses
- payment deferral*
- extension of payment period*

*The Bank has reassessed and amended these two criterias in consideration of the COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.2 Impairment assessment (continued)

10.3.2.1 Definition of default and credit-impaired assets (continued)

Loans and advances to banks and Cash and Balances with Central Bank

For Loans and advances to banks, below are considered as default when they occur

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

Debt instruments

For Debt instruments, below are considered as default when they occur;

- When repayments of interest and principal are not done on time as per contractual schedules and that such delays considered are not those caused by operational issues
- When the government is downgraded to below rating “C” status by international rating agency such as Moody’s, S & P, or Fitch
- When the Government is declared default/bankrupt by responsible agencies i.e. World Bank, IMF etc.

It may not be possible to identify a single discrete event, instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

It is the Group’s policy to consider a financial instrument as ‘cured’ and therefore re-classified out of Stage 3 when the customer has met certain criteria. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

10.3.2.2 Group’s internal ratings scale and PD estimation process

The Group and Bank has its internal credit rating tools tailored in accordance with the Bank of Tanzania (BoT) guidelines that reflect its assessment of the probability of default of individual counterparties. Customers of the Bank are segmented into five rating classes. The Group’s rating scale, which is shown below, reflects the range of default probabilities defined for each rating class.

Group’s rating	Description of the grade	PD range	Number of days outstanding	
			Micro loans	Other loans
1	Current	0.0%-0.5%	0	0-30
2	Especially Mentioned	0.5%-12.5%	1-30	31-90
3	Sub-standard	12.5%-32.8%	31-60	91-180
4	Doubtful	32.8%-100.0%	61-90	181-360
5	Loss	100.0%	91 or more	361-Above

Micro loans - These are interest bearing facilities to retail customers. Collateral is required except for scheme loans to salaried customers. These loans are charged processing fees and legal fees.

Other loans - These include loans to Small, Medium and Large Enterprises and they are all interest bearing. Collateral is a requirement for all facilities. These loans are charged processing fees, insurance and legal fees.

The PDs obtained as above are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information. This is repeated for each economic scenario as appropriate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.2 Impairment assessment (continued)

10.3.2.2 Group's internal ratings scale and PD estimation process (continued)

For internal monitoring of Loans and advances to banks, banks are rated into three categories based on their financial position. Additionally, qualitative characteristics is taken into consideration when scoring a counterparty. Counterparts with history of default are usually rated as Medium to High risk and dealing limits are cancelled.

Group's rating	Score	PD range	Staging
Defaulted	3 - 5	100.0%	Stage 3
High	2.51 - 3	22.8%-100.0%	Stage 2
Medium	1.51 – 2.5	0.5%-22.8%	Stage 1
Low	1 - 1.51	0.0%-0.5%	Stage 1

The Loans and advances to banks as at 31 December 2020, are all of low risk.

10.3.2.3 Exposure at Default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12-month ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments. The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

10.3.2.4 Loss given default

The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held. The Bank segments its loans into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics. Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. The Bank estimates regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

10.3.2.5 Significant increase in credit risk

The Group continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or Lifetime ECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime PD as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.2 Impairment assessment (continued)

10.3.2.5 Significant increase in credit risk (continued)

The Bank uses two criteria for determining whether there has been a significant increase in credit risk:

- A quantitative test based on movement in PD
- Qualitative indicators

The Bank considers debt instrument assets, credit cards, loan commitments and financial guarantee contracts to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

Loans and advances to customers, credit cards, loan commitments and financial guarantees

i) ***Quantitative criteria***

Based on quantitative review for the purpose of the expected credit losses calculations, loans and advances, loan commitments and financial guarantees shall be classified as follows;

1. ***10 – 30 days to be classified as Stage 1;*** Loans and advances, loan commitments and financial guarantees which are performing according to contracted terms and conditions with low credit risk at the reporting date with 12-month expected credit losses being recognised.
2. **31 – 90 days to be classified as Stage 2;** Loans and advances, loan commitments and financial guarantees which have had significant increase in credit risk since initial recognition but do not have objective evidence of credit loss event with lifetime expected credit losses being recognized.
3. **91 days or more to be classified as Stage 3;** Loans and advances, loan commitments and financial guarantees which have objective evidence of impairment at the reporting date with lifetime expected credit losses being recognized (credit-impaired assets).

ii) ***Qualitative criteria***

For Personal Loans, if the borrower meets one or more of the following criteria:

- Short-term forbearance or restructuring.
- Adverse changes of external data from credit references agencies.

For Corporate and SME portfolios, if the borrower is on the Watch list and/or the instrument meets one or more of the following criteria:

- 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 which is expected to increase risk of default.
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans.
- Adverse changes of external data from credit references agencies
- Significant adversely changes in political, regulatory and technological environment of the borrowers or in its business activities.

The Group monitors all financial assets that are subject to assess whether there has been a significant increase in credit risk since initial recognition. When there is a significant increase in credit risk (SICR) since initial recognition is identified, a financial asset is moved from stage 1 to 'Stage 2' but is not yet deemed to be credit-impaired. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.2 Impairment assessment (continued)

10.3.2.5 Significant increase in credit risk (continued)

The table below summarises the 'three-stage' model for impairment based on changes in credit quality since initial recognition

	Stage 1 (performing loans)	Stage 2 (under performing loans)	Stage 3 (non-performing loans)
Credit risk	Financial instruments with low credit risk at the reporting date or which have not had SICR	Financial instruments which have had a significant increase in credit risk since initial recognition but do not have objective evidence of a credit loss event.	Financial assets that have objective evidence of impairment at the reporting date
Recognition of expected credit losses	12 Month expected credit losses are recognized.	Lifetime expected credit losses are recognised.	Lifetime expected credit losses are recognized.
Recognition of interest	Interest revenue is calculated on the gross carrying amount of the asset.	Interest revenue is calculated on the gross carrying amount of the asset.	Interest revenue is calculated based on the amortized cost net of the loss provision, (net carrying amount).

Loans and advances to banks and Cash and Balances with Central Bank

Below are qualitative factors considered as indicators of significant increase in credit risk;

- Significant counterparty management restructuring due to continued bad performance of the company.
- Significant adverse change in the regulatory, economic or technology of the borrower that results in a significant change in the borrower's ability to meet debt obligations.
- Significant reductions in financial support from a parent company that resulted to significant adverse change of operating results of the counterparty.

Debt instruments

Below are qualitative factors considered as indicators of significant increase in credit risk;

- The Government has received a low credit rating i.e. "C" by the international rating agencies; and
- The Government has initiated debt restructuring process.

10.3.2.6 Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a Grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a Group are homogeneous. The characteristics used to determine Grouping are product type, Industry, collateral type etc. The appropriateness of Groupings is monitored and reviewed on a periodic basis by the Credit Risk team.

Credit quality and IFRS 9 staging assessment of significant borrowers with credit facilities above TZS 500 million are assessed individually based on both qualitative and quantitative criteria. For borrowers with balances less than TZS 500 million, assessment is limited to quantitative criteria except for any known qualitative criteria.

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 Group's expected loss calculations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.2 Impairment assessment (continued)

10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group 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, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's economics team on a quarterly basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. For unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Group's economics 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 product type to ensure non-linearities 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 Group 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). 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 Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolio to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

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

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 7.11.2 provides more detail of how the expected credit loss allowance is measured.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (continued)

The following table shows a representative summary of the economic variables and asset prices that the Group considers to be among the most important determinants of the Group's expected credit loss.

Macroeconomic variable	Average	Maximum	Minimum
GDP Growth Rate %	6.0	7.1	5.7
Inflation Rate %	3.8	5.1	3.0
Lending Rate %	16.1	17.0	15.5
Money supply %	7.7	10.7	2.9
Unemployment %	5.0	9.7	2.0

The most significant period-end assumptions used for the ECL estimate are set out below.

31 December 2020	Assigned weightage	2020	2021	2022	2023	2024
	%	%	%	%	%	%
GDP Growth Rate*						
Base Case	**50**	**5.7**	**5.5**	**5.3**	**5.4**	**5.4**
Upside	**25**	**6.0**	**5.8**	**5.7**	**5.7**	**5.7**
Downside	**25**	**5.4**	**5.2**	**5.0**	**5.1**	**5.1**
Inflation Rate**						
Base Case	**50**	**3.0**	**5.3**	**5.5**	**5.4**	**5.4**
Upside	**25**	**3.2**	**5.6**	**5.8**	**5.7**	**5.7**
Downside	**25**	**2.9**	**5.0**	**5.2**	**5.1**	**5.1**
Lending Rate**						
Base Case	**50**	**17.0**	**15.5**	**15.5**	**15.5**	**15.5**
Upside	**25**	**17.8**	**16.3**	**16.3**	**16.3**	**16.3**
Downside	**25**	**16.1**	**14.7**	**14.7**	**14.7**	**14.7**
Money supply**						
Base Case	**50**	**5.9**	**11.6**	**11.0**	**11.6**	**11.6**
Upside	**25**	**6.2**	**12.2**	**11.6**	**12.2**	**12.2**
Downside	**25**	**5.6**	**11.0**	**10.5**	**11.0**	**11.0**
Unemployment**						
Base Case	**50**	**2.0**	**4.5**	**4.5**	**4.5**	**4.5**
Upside	**25**	**2.1**	**4.7**	**4.7**	**4.7**	**4.7**
Downside	**25**	**1.9**	**4.3**	**4.3**	**4.3**	**4.3**

* GDP Growth are expressed as an annual percentage change

** These rates are expressed as a percentage as at the end of the forecast year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (continued)

31 December 2019	Assigned weightage	2020	2021	2022	2023	2024
	%	%	%	%	%	%
GDP Growth Rate*						
Base Case	50	5.1	5.5	5.3	5.4	5.4
Upside	25	5.6	5.8	5.7	5.7	5.7
Downside	25	4.9	5.2	5.0	5.1	5.1
Inflation Rate**						
Base Case	50	4.9	5.3	5.5	5.4	5.4
Upside	25	5.2	5.6	5.8	5.7	5.7
Downside	25	4.7	5.0	5.2	5.1	5.1
Lending Rate**						
Base Case	50	15.5	15.5	15.5	15.5	15.5
Upside	25	16.3	16.3	16.3	16.3	16.3
Downside	25	14.7	14.7	14.7	14.7	14.7
Money supply**						
Base Case	50	11.8	11.6	11.0	11.6	11.6
Upside	25	12.4	12.2	11.6	12.2	12.2
Downside	25	11.2	11.0	10.5	11.0	11.0
Unemployment**						
Base Case	50	11.8	11.6	11.0	11.6	11.6
Upside	25	12.4	12.2	11.6	12.2	12.2
Downside	25	11.2	11.0	10.5	11.0	11.0

* GDP Growth are expressed as an annual percentage change

** These rates are expressed as a percentage as at the end of the forecast year.

The weightings assigned to each economic scenario at 1 January 2020 and 31 December 2020 was 50%, 25% and 25% for “base”, “upside” and “downside” respectively.

Management varied these weightings to take into account possible adverse effects of the COVID-19 pandemic.

Migration from stage 3 to stage 2, the bank considers criterial for upgrade of credit accommodation as follows;

- in the case of overdraft facilities, the accounts has satisfactorily performed for minimum period of two consecutive quarters; and
- in the case of term loans, the obligor has timely paid four consecutive instalments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (continued)

On the other hand, credit exposures may migrate from stage 2 to stage 1 when there is a significant improvement of the credit exposure. The following considerations were made in determining whether an exposure should shift backward from stage 2 to stage 1;

- Up to date with payments, that is, all outstanding payments on the credit facility are made on time and no payments are in arrears; and
- Improvement of the quantitative factors that caused significant increase of the credit risk.

Upgrade from stage 2 to stage 1 is being monitored for the period of 90 days for conventional loans and 30 days for Microfinance loans to confirm if the risk of default has decreased sufficiently before upgrading such exposure.

Despite the COVID-19 pandemic, there was insignificant change in respect of assumptions and inputs used under multiple economic scenarios, hence no significant adjustment with respect to economic assumptions applied and disclosed by the Bank as at 31 December 2020.

If the GDP had changed by 10% expected loss allowance would have been as follows:

Sensitivity Analysis

		In TZS' Million
	Expected loss allowance	
31 December 2020	**Higher end**	**Lower end**
Corporate	**65,574**	**67,020**
SME	**12,404**	**12,678**
Microfinance	**457**	**468**
Mortgage	**857**	**875**
Personal loans	**61,562**	**62,919**
Off-balance sheet exposures	**168**	**171**
Total expected loss allowance	**141,022**	**144,131**
31 December 2019		
Corporate	92,107	92,920
SME	12,942	13,056
Microfinance	277	279
Mortgage	1,247	1,258
Personal loans	51,751	52,208
Off-balance sheet exposures	136	137
Total expected loss allowance	158,460	159,858

10.3.4 Model adjustments

Management has determined post model adjustment to incorporate factors which are not specifically embedded in the model used as part of the normal modelling process.

Post-model adjustments (both positive and negative) represent adjustments in relation to data and model limitations as a result of the COVID-19 economic disruption. The adjustments are based on a combination of portfolio level credit risk analysis and an evaluation of ECL coverage at an exposure level. They include the effect of Government and other support programmes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

Assessment and calculation of ECL

The level of estimation uncertainty has increased since 31 December 2019 as a result of the economic disruption and consequential impact of the COVID-19 pandemic. This includes significant judgements relating to:

- The selection and weighting of macro-economic scenarios;
- The effect of Government and other support measures put in place to mitigate the negative economic impact;
- The uncertainty over the duration and severity of the effect of the pandemic as well as the timing and duration of the recovery;

Impact on modelled ECL allowance

The Bank's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The various support schemes and regulatory guidance in which the Bank operates could not be reliably modelled for the time being. As a consequence, post-model adjustments were done given model changes take a significant amount of time to develop and test and the data limitation issues noted above, the Bank expects that post-model adjustments will be applied for the foreseeable future.

Post-model adjustments and management overlays made in estimating the reported ECL for the Group and Bank as at 31 December 2020 are set out in the following table:

					In TZS' Million
	Modelled ECL	Post-model adjustments	Management overlays	Total ECL	Adjustment as a % of total ECL
Corporate lending	**65,027**	**145**	**2,344**	**67,516**	**4%**
SME lending	**14,470**	**23**	**443**	**14,936**	**3%**
Mortgage lending	**2,365**	**-**	**-**	**2,365**	**0%**
Microfinance lending	**1,389**	**-**	**16**	**1,405**	**1%**
Personal lending	**58,089**	**-**	**2,197**	**60,286**	**4%**
Total	**141,340**	**168**	**5,000**	**146,508**	**4%**

No model adjustments/overlays were done for ECL relating to other financial instruments.

10.3.5 Forborne and modified loans

Restructuring of loans with borrowers who are facing financial difficulty has increased significantly during the year to TZS 319,800 million (2019: TZS 69,463 million).

Pre COVID-19, restructuring was a qualitative indicator of default and credit impairment and expectations of restructuring are relevant to assessing whether there is a significant increase in credit risk. Following restructuring, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

Post COVID-19, restructuring related to supporting customers through the COVID-19 pandemic is not automatically deemed an indicator of default. This was an unprecedented macro-economic event that was beyond the customer. These loans therefore remain performing loans.

During the year ended 31 December 2020, the Bank restructured credit facilities for specific customers with liquidity constraints arising as a result of the COVID-19 pandemic, the restructurings were on moratorium and term extension while the pricing remained as per the original credit terms. A total of TZS 175,890 billion were restructured during the year as a result of COVID-19. All restructurings were done within the regulatory and credit policy requirements, after careful consideration of the impact of the COVID-19 to the creditworthiness of customer and for each restructure granted, the customer is closely monitored for credit deterioration.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.5 Forborne and modified loans (continued)

The table below shows financial assets which were modified during the period with the related modification loss suffered by the Bank;

		In TZS' Million
	2020	**2019**
Amortised costs of financial assets modified during the period	**319,800**	69,463
Net modification loss*	**(1,139)**	(5,732)

* The difference between modification loss and release during the year.

Modification loss for the period is TZS 5,440 milion and the release of TZS 4,301 million. The release is made up of the TZS 262 million for the current year and TZS 4,039 million which relate to prior periods.

The table below shows the gross carrying amount of previously modified financial assets for which loss allowance has changed to 12-month ECL measurement during the period:

				In TZS' Million
	Post modification		**Pre-modification**	
31 December 2020	**Gross carrying amount**	**Corresponding ECL**	**Gross carrying amount**	**Corresponding ECL**
Facilities that have been cured since modification and are now measured using 12 month ECL (Stage 1)	**28,447**	**29**	**39,930**	**203**
Facilities that reverted to (Stage 2/3) Lifetime ECL having once cured	**38,178**	**416**	**32,533**	**438**
31 December 2019				
Facilities that have been cured since modification and are now measured using 12 month ECL (Stage 1)	20,681	28	25,851	183
Facilities that reverted to (Stage 2/3) Lifetime ECL having once cured	18,219	396	22,773	416

10.3.6 Analysis of risk concentration

The following tables break down the Group's and Bank's main credit exposure at their carrying amounts, as categorised by industry sector and geographical sectors as of 31 December.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(a) Industry sectors

GROUP										In TZS' Million
31 December 2020	Financial institutions	Manufacturing	Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
Financial assets										
Balances with Central bank	345,487	-	-	-	-	-	-	-	-	345,487
Loans and advances to banks	361,902	-	-	-	-	-	-	-	-	361,902
Debt instruments at amortised cost	-	-	995,824	-	-	-	-	-	-	995,824
Debt instruments at FVOCI	-	-	501,005	-	-	-	-	-	-	501,005
Financial assets at FVPL	-	-	5,572	-	-	-	-	-	-	5,572
Loans and advances to customers (Gross)										
- Corporate	101,265	188,448	3,299	147,225	129,227	50,822	431,920	-	431,994	1,484,200
- SME	11,463	7,939	-	176,244	30,433	21,876	84,094	38	143,579	475,666
- Microfinance	4,123	198	-	63,010	3,448	727	2,655	4	8,162	82,327
- Mortgage	-	-	-	-	-	-	-	50,614	-	50,614
- Personal	-	-	-	-	-	-	-	1,982,797	-	1,982,797
Credit cards	-	-	-	-	-	-	-	529	-	529
Other assets*	-	-	-	-	89,566	-	-	-	5,222	94,788
	824,240	196,585	1,505,700	386,479	252,674	73,425	518,669	2,033,982	761,613	6,380,711
Off-Balance sheet items										
Guarantees and indemnities	978,587	66,038	-	41,795	84,966	-	495	-	51,619	1,223,500
Letters of credit	-	-	-	12,459	3,930	-	7,589	-	112,852	136,830
Commitment to extend credit	652	6,737	-	47,036	11,547	3,041	66,565	22	73,580	209,180
	979,239	72,775	-	101,290	100,443	3,041	74,649	22	238,051	1,569,510

*Other assets (excludes prepayments, stock and advanced payment for capital expendit ure as they are not financial assets).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(a) Industry sectors (continued)

GROUP 31 December 2019	Financial institutions	Manufacturing	Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	In TZS' Million Total
Financial assets										
Balances with Central bank	430,219	-	-	-	-	-	-	-	-	430,219
Loans and advances to banks	323,677	-	-	-	-	-	-	-	-	323,677
Debt instruments at amortised cost	-	-	955,698	-	-	-	-	-	-	955,698
Debt instruments at FVOCI	-	-	461,665	-	-	-	-	-	-	461,665
Loans and advances to customers (Gross)										
- Corporate	11,568	190,687	92,773	144,664	112,669	46,727	407,375	-	382,938	1,389,401
- SME	11,251	5,878	-	205,450	28,479	28,178	58,516	90	129,191	467,033
- Microfinance	8,029	65	-	27,196	2,572	309	729	2	-	38,902
- Mortgage	-	-	-	-	-	-	-	42,386	-	42,386
- Personal	-	-	-	75	-	-	20	1,598,157	5,121	1,603,373
Credit cards	-	-	-	-	-	-	-	1,335	-	1,335
Other assets*	-	-	-	-	78,750	-	-	-	19,090	97,840
	784,744	196,630	1,510,156	377,385	222,470	75,214	466,640	1,641,970	536,340	5,811,529
Off-Balance sheet items										
Guarantees and indemnities	974,304	65,761	-	41,620	84,938	-	493	-	51,570	1,218,686
Letters of credit	-	-	-	20,367	5,388	-	10,405	-	151,438	187,598
Commitment to extend credit	515	5,319	-	37,138	9,117	2,401	52,558	17	57,558	164,623
	974,819	71,080	-	99,125	99,443	2,401	63,456	17	260,566	1,570,907

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(a) Industry sectors (continued)

BANK 31 December 2020	Financial institutions	Manufacturing	Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	In TZS' Million Total
Financial assets										
Balances with Central bank	330,000	-	-	-	-	-	-	-	-	330,000
Loans and advances to banks	382,207	-	-	-	-	-	-	-	-	382,207
Debt instruments at amortised cost	-	-	843,316	-	-	-	-	-	-	843,316
Debt instruments at FVOCI	-	-	501,005	-	-	-	-	-	-	501,005
Loans and advances to customers (Gross)										
- Corporate	101,265	188,448	3,299	147,225	129,227	50,822	431,920	-	425,352	1,477,558
- SME	11,463	7,939	-	176,244	30,433	21,876	84,094	38	141,570	473,657
- Microfinance	4,123	198	-	63,010	3,448	727	2,655	4	667	74,832
- Mortgage	-		-	-	-	-	-	44,447	-	44,447
- Personal	-	-	-	-	-	-	-	1,927,801	-	1,927,801
Credit cards	-	-	-	-	-	-	-	529	-	529
Other assets*	-	-	-	-	92,030	-	-	-	4,464	96,494
	829,058	196,585	1,351,286	386,479	255,138	73,425	518,669	1,969,153	682,906	6,151,846
Off-Balance sheet items										
Guarantees and indemnities	976,805	65,918	-	41,720	84,811	-	494	-	51,524	1,221,272
Letters of credit	-	-	-	12,340	3,893	-	7,517	-	111,782	135,532
Commitment to extend credit	652	6,737	-	47,035	11,547	3,041	66,566	22	68,052	203,652
	977,457	72,655	-	101,095	100,251	3,041	74,577	22	231,358	1,560,456

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(a) Industry sectors (continued)

In TZS' Million

BANK 31 December 2019	Financial institutions	Manufacturing	Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
Financial assets										
Balances with Central bank	424,121	-	-	-	-	-	-	-	-	424,121
Loans and advances to banks	346,776	-	-	-	-	-	-	-	-	346,776
Debt instruments at amortised cost	-	-	824,247	-	-	-	-	-	-	824,247
Debt instruments at FVOCI	-	-	461,665	-	-	-	-	-	-	461,665
Loans and advances to customers (Gross)										
- Corporate	50,656	186,456	53,219	143,097	111,828	45,578	406,658	-	381,679	1,379,171
- SME	11,251	5,789		204,785	28,387	28,136	58,516	90	130,162	467,026
- Microfinance	8,371	65		20,674	2,572	309	729	2	534	33,254
- Mortgage	-	-		-	-	-	-	37,616	-	37,616
- Personal	-	-		64	-	-	20	1,558,199	8,898	1,567,181
Credit cards	-	-		-	-	-	-	1,335	-	1,335
Other assets*	-	-		-	78,751	-	-	-	19,722	98,473
	841,175	192,310	1,339,131	368,620	221,538	74,023	465,923	1,597,242	540,995	5,640,866
Off-Balance sheet items										
Guarantees and indemnities	974,473	65,761	-	41,620	84,609	-	493	-	51,401	1,218,357
Letters of credit	-	-	-	17,081	5,388	-	10,405	-	154,724	187,598
Commitment to extend credit	515	5,319	-	37,138	9,117	2,401	52,558	17	53,733	160,798
	974,534	76,335	-	81,385	94,931	1,533	27,616	300	310,119	1,566,753

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

For these tables, the Group and Bank have allocated exposures to regions based on the country of domicile of its counterparties.

(b) Geographical sectors

GROUP						In TZS' Million
31 December 2020	**Tanzania**	**Europe**	**America**	**Burundi**	**Others**	**Total**
Financial assets						
Balances with Central bank	330,000	-	-	15,487	-	345,487
Loans and advances to banks	141,537	70,507	108,154	-	41,704	361,902
Debt instruments at amortised cost	843,316	-	-	152,508	-	995,824
Debt instruments at FVOCI	501,005	-	-	-	-	501,005
Financial assets at FVPL	5,572	-	-	-	-	5,572
Loans and advances to customers (Gross)						
- Corporate	1,477,459	-	-	6,741	-	1,484,200
- SME	473,824	-	-	1,842	-	475,666
- Microfinance	74,842	-	-	7,485	-	82,327
- Mortgage	50,614	-	-	-	-	50,614
- Personal	1,921,927	-	-	60,870	-	1,982,797
Credit cards	529	-	-	-	-	529
Other assets*	93,067	-	-	1,721	-	94,788
	5,913,692	70,507	108,154	246,654	41,704	6,380,711
Off-balance sheet items						
Guarantees and indemnities	377,673	6,548	-	330	838,949	1,223,500
Letters of credit	24,917	57,176	-	-	54,737	136,830
Commitment to extend credit	204,447	-	-	4,733	-	209,180
	607,037	63,724	-	5,063	893,686	1,569,510

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

For these tables, the Group and Bank have allocated exposures to regions based on the country of domicile of its counterparties.

(b) Geographical sectors (continued)

GROUP						In TZS' Million
31 December 2019	**Tanzania**	**Europe**	**America**	**Burundi**	**Others**	**Total**
Financial assets						
Balances with Central bank	424,121	-	-	6,098	-	430,219
Loans and advances to banks	179,747	55,342	41,094	4,813	42,681	323,677
Debt instruments at amortised cost	824,248	-	-	131,450	-	955,698
Debt instruments at FVOCI	461,665	-	-	-	-	461,665
Loans and advances to customers (Gross)						
- Corporate	1,339,804	-	-	49,597	-	1,389,401
- SME	466,016	-	-	1,017	-	467,033
- Microfinance	32,380	-	-	6,522	-	38,902
- Mortgage	42,386	-	-	-	-	42,386
- Personal	1,564,575	-	-	38,798	-	1,603,373
Credit cards	1,312	-	-	-	-	1,312
Other assets*	97,840	-	-	-	-	97,840
	5,434,094	55,342	41,094	238,295	42,681	5,811,506
Off-balance sheet items						
Guarantees and indemnities	374,650	6,534	-	329	837,173	1,218,686
Letters of credit	32,694	79,140	-	-	75,764	187,598
Commitment to extend credit	160,797	-	-	3,826	-	164,623
	568,141	85,674	-	4,155	912,937	1,570,907

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(b) Geographical sectors (continued)

BANK						In TZS' Million
31 December 2020	**Tanzania**	**Europe**	**America**	**Burundi**	**Others**	**Total**
Financial assets						
Balances with Central Bank	330,000	-	-	-	-	330,000
Loans and advances to banks	140,833	70,507	108,154	23,203	39,510	382,207
Debt instruments at amortised cost	843,316	-	-	-	-	843,316
Debt instruments at FVOCI	501,005	-	-	-	-	501,005
Loans and advances to customers (Gross)	-		-	-	-	-
- Corporate	1,395,266	-	-	82,292	-	1,477,558
- SME	473,657	-	-	-	-	473,657
- Microfinance	74,832	-	-	-	-	74,832
- Mortgage	44,447	-	-	-	-	44,447
- Personal	1,927,801	-	-	-	-	1,927,801
Credit cards	529	-	-	-	-	529
Other assets*	96,494	-	-	-	-	96,494
	5,828,180	70,507	108,154	105,495	39,510	6,151,846
Off-balance sheet items						
Guarantees and indemnities	375,445	6,548	-	330	838,949	1,221,272
Letters of credit	23,619	57,176	-	-	54,737	135,532
Commitment to extend credit	198,919	-	-	4,733	-	203,652
	597,984	63,723	-	5,063	893,686	1,560,456

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(b) Geographical sectors (continued)

BANK						In TZS' Million
31 December 2019	**Tanzania**	**Europe**	**America**	**Burundi**	**Others**	**Total**
Financial assets						
Balances with Central Bank	424,121	-	-	-	-	424,121
Loans and advances to banks	190,244	55,342	41,094	17,415	42,681	346,776
Debt instruments at amortised cost	824,248	-	-	-	-	824,248
Debt instruments at FVOCI	461,665	-	-	-	-	461,665
Loans and advances to customers (Gross)						
- Corporate	1,340,083	-	-	39,088	-	1,379,171
- SME	467,026	-	-	-	-	467,026
- Microfinance	33,254	-	-	-	-	33,254
- Mortgage	37,616	-	-	-	-	37,616
- Personal	1,567,181	-	-	-	-	1,567,181
Credit cards	1,312	-	-	-	-	1,312
Other assets*	98,473	-	-	-	-	98,473
	5,445,223	55,342	41,094	56,503	42,681	5,640,843
Off-balance sheet items						
Guarantees and indemnities	374,650	6,534	-	-	837,173	1,218,357
Letters of credit	32,694	79,140	-	-	75,764	187,598
Commitment to extend credit	160,798	-	-	-	-	160,798
	568,142	85,674	-	-	912,937	1,566,753

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(c) Credit quality per segments, industry and asset classes

GROUP				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Per portfolio				
Balances with Central Bank	345,487	-	-	345,487
Loans and advances to banks	361,902	-	-	361,902
Debt instruments at amortised cost	995,824	-	-	995,824
Debt instruments at FVOCI	501,005	-	-	501,005
Financial assets at FVPL	5,572	-	-	5,572
Loans and advances to customers (Gross)				
- Corporate	1,152,644	221,670	109,886	1,484,200
- SME	371,053	69,103	35,510	475,666
- Microfinance	78,765	2,037	1,525	82,327
- Mortgage	38,534	7,882	4,198	50,614
- Personal	1,930,869	24,122	27,806	1,982,797
Credit cards	529	-	-	529
Other assets*	-	94,788	-	94,788
Off-balance sheet items				
Guarantees and indemnities	1,223,500	-	-	1,223,500
Letters of credit	136,830	-	-	136,830
Commitments to extend credit	209,180	-	-	209,180
Per industry segment**				
Financial institutions	822,424	714	1,102	824,240
Manufacturing	188,353	7,852	380	196,585
Government	1,503,222	2,478	-	1,505,700
Trading	336,314	31,941	18,224	386,479
Transport and communication	214,716	24,362	13,596	252,674
Hotels and restaurants	44,996	24,506	3,923	73,425
Agriculture	393,966	81,132	43,571	518,669
Individuals	1,982,173	24,373	27,436	2,033,982
Others	292,754	225,510	70,693	588,957

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

**Includes financial assets measured at FVOCI and also at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(c) Credit quality per segments, industry and asset classes (continued)

GROUP				In TZS' Million
31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Per portfolio				
Balances with Central Bank	430,219	-	-	430,219
Loans and advances to banks	323,677	-	-	323,677
Debt instruments at amortised cost	955,698	-	-	955,698
Debt instruments at FVOCI	461,665	-	-	461,665
Loans and advances to customers (Gross)				
- Corporate	1,169,262	86,535	133,149	1,388,946
- SME	401,941	29,246	37,021	468,208
- Microfinance	38,441	298	163	38,902
- Mortgage	37,308	1,427	3,651	42,386
- Personal	1,564,254	11,806	26,593	1,602,653
Credit cards	1,312	-	-	1,312
Other assets*	-	97,840	-	97,840
Off-balance sheet items				
Guarantees and indemnities	1,218,686	-	-	1,218,686
Letters of credit	187,598	-	-	187,598
Commitments to extend credit	164,623	-	-	164,623
Per industry segment**				
Financial institutions	781,032	1,515	2,197	784,744
Manufacturing	188,298	8,190	142	196,630
Government	1,510,156	-	-	1,510,156
Trading	332,276	17,400	27,709	377,385
Transport and communication	208,442	2,096	11,932	222,470
Hotels and restaurants	59,673	10,092	5,449	75,214
Agriculture	383,718	18,615	64,307	466,640
Individuals	1,601,150	10,795	30,025	1,641,970
Others	319,074	158,449	58,817	536,340

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

**Includes financial assets measured at FVOCI and also at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(c) Credit quality per segments, industry and asset classes (continued

BANK				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Per portfolio				
Balances with Central Bank	330,000	-	-	330,000
Loans and advances to banks	382,207	-	-	382,207
Debt instruments at amortised cost	843,316	-	-	843,316
Debt instruments at FVOCI	501,005	-	-	501,005
Loans and advances to customers (Gross)				
- Corporate	1,147,122	220,734	109,702	1,477,558
- SME	369,249	69,080	35,328	473,657
- Microfinance	71,271	2,037	1,524	74,832
- Mortgage	32,367	7,882	4,198	44,447
- Personal	1,876,171	24,392	27,238	1,927,801
Credit cards	529	-	-	529
Other assets*	-	96,494	-	96,494
Off-balance sheet items				
Guarantees and indemnities	1,221,272	-	-	1,221,272
Letters of credit	135,532	-	-	135,532
Commitments to extend credit	203,652	-	-	203,652
Per industry segment**				
Financial institutions	827,242	714	1,102	829,058
Manufacturing	188,353	7,852	380	196,585
Government	1,348,808	2,478	-	1,351,286
Trading	336,314	31,941	18,224	386,479
Transport and communication	217,180	24,362	13,596	255,138
Hotels and restaurants	44,996	24,506	3,923	73,425
Agriculture	393,966	81,132	43,571	518,669
Individuals	1,917,344	24,373	27,436	1,969,153
Others	386,621	226,528	69,757	682,906

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

**Includes financial assets measured at FVOCI and also at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(c) Credit quality per segments, industry and asset classes (continued)

BANK				In TZS' Million
31 December 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Per portfolio				
Balances with Central Bank	424,121	-	-	424,121
Loans and advances to banks	346,776	-	-	346,776
Debt instruments at amortised cost	824,247	-	-	824,247
Debt instruments at FVOCI	461,665	-	-	461,665
Loans and advances to customers (Gross)				
- Corporate	1,159,951	86,118	133,102	1,379,171
- SME	400,924	29,246	36,856	467,026
- Microfinance	32,794	298	162	33,254
- Mortgage	31,141	1,427	3,651	36,219
- Personal	1,530,836	11,806	25,936	1,568,578
Credit cards	1,312	-	-	1,312
Other assets*	1,159,951	98,473	-	98,473
Off-balance sheet items				
Guarantees and indemnities	1,218,357	-	-	1,218,357
Letters of credit	187,598	-	-	187,598
Commitments to extend credit	160,798	-	-	160,798
Per industry segment**				
Financial institutions	837,463	1,515	2,197	841,175
Manufacturing	183,978	8,190	142	192,310
Government	1,339,131	-	-	1,339,131
Trading	323,511	17,400	27,709	368,620
Transport and communication	207,510	2,096	11,932	221,538
Hotels and restaurants	58,482	10,092	5,449	74,023
Agriculture	383,001	18,615	64,307	465,923
Individuals	1,556,422	10,795	30,025	1,597,242
Others	324,383	158,665	57,947	540,995

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

**Includes financial assets measured at FVOCI and also at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

Despite COVID-19 Pandemic, credit portfolio performance has been relatively stable in the year 2020. An impact was noted in Corporate and SME segment in sectors directly impacted such as hotels and restaurants, tourism, education, and trade caused by closure of schools, travel restrictions and a slight impact for customers whose main business is exportation. However, the Bank took pro-active measures to engage customers' timely and modified repayment schedules including granting moratorium period of payment of principal only or both, principal and accrued interest when need be.

10.3.7 Collateral and other credit enhancements

The amount and type of collateral required to secure loan and advances depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

In its normal course of business, the Bank engages external agents to recover funds from repossessed properties or other assets in its retail portfolio, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet and not treated as non–current assets held for sale.

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 weekly 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 Group and Bank employ a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group and Bank implement guidelines on the acceptability of specific classes of collateral or credit risk mitigation. Collateralization requirement of 125% is applicable to Corporate, SMEs, Microfinance and Mortgage loans. Personal loans are practically unsecured in terms of physical securities.

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

Terms and conditions that apply for collateral held as securities

- The collateral must be mortgaged by the Bank
- The borrower is required to pay the land rent if the pledged collateral is a landed property and insure the pledged collateral to a reputable insurance company
- In the event that the borrower default the pledged collateral can be ceased by the Bank and sold

The valuation and management of the collateral across all business units of the group are governed by the Group credit policy.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In order to minimise the credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collaterals pledged

The Group has pledged part of its Treasury bills and bonds in order to fulfil the collateral requirements of various short term borrowings from other Banks. The Group also holds Treasury Bills and Bonds amounting TZS 103,252 million as at 31 December 2020 (2019: TZS 37,752 million) in respects of Short term borrowings extended to other banks. The Group has no control on collaterals pledged by other banks as it has an obligation to return the securities to the counterparties upon settlement of the loans, and it's not permitted to sell or repledge the collateral in the absence of default by the owner of the collateral. There are no other significant terms and conditions associated with the use of collateral.

Despite the COVID-19 Pandemic there were no material adverse impact on the value of collaterals pledges as securities which were taken into account in the measurement of ECL.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

(a) Collateral (continued)

Collateral repossessed

It is the Group's policy to dispose off repossessed properties on the open market, at fair market value. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy or foreclose repossessed properties for its own business use. As at the year end, the Bank had repossessed collateral with fair value amounting TZS 16.6 billion with intention to sell within a year.

(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 on behalf of a customer authorising a third party to draw drafts on a 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 Group and Bank are potentially exposed to loss in amounts equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group and Bank monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(c) Write-off

The Group may write-off financial assets that are still subject to enforcement activity while the Bank still seeks to recover amounts it is legally owed in full. The outstanding contractual amounts of such assets written off during the year ended 31 December 2020 was TZS 100,096 million (2019: TZS 124,930 million).

When entering into new markets or new industries, in order to minimise the potential increase of credit risk exposure, the Group focused more on the business with large corporate enterprises or banks with good credit rating or retail customers providing sufficient collateral.

Collateral held against impaired loans is maintained at fair value. The valuation of collateral is monitored regularly and is tested after every three years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

Financial instruments whose carrying amounts represent the maximum exposure to credit risk without taking account of any collateral held or other credit enhancements are shown below:-

GROUP				In TZS' Million
Group Credit exposures	**2020**	**%**	**2019**	**%**
Financial assets:				
Balances with Central Bank	**345,487**	**4**	430,219	6
Loans and advances to banks	**361,902**	**5**	323,677	4
Debt instruments at amortised cost	**995,824**	**13**	955,698	13
Debt instruments at FVOCI	**501,005**	**6**	461,665	6
Financial assets at FVPL	**8,127**	**0**	3,040	
Loans and advances to customers (Gross)				
- Corporate	**1,484,200**	**19**	1,388,946	19
- SME	**475,666**	**6**	468,208	5
- Microfinance	**82,327**	**1**	38,902	1
- Mortgage	**50,614**	**0**	42,386	1
- Personal	**1,982,797**	**25**	1,602,653	22
Other assets*	**94,788**	**1**	97,840	1
	6,382,737	**80**	5,813,234	78
Off-balance sheet items				
Guarantees and indemnities	**1,223,500**	**15**	1,218,686	17
Letters of credit	**136,830**	**2**	187,598	3
Commitments to extend credit	**209,180**	**3**	164,623	2
	1,569,510	**20**	1,570,907	22
	7,952,247	**100**	7,384,141	100

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

BANK			In TZS' Million	
Group Credit exposures	**2020**	**%**	**2019**	**%**
Financial assets:				
Balances with Central Bank	**330,000**	**4**	424,121	6
Loans and advances to banks	**382,207**	**5**	346,776	5
Debt instruments at amortised cost	**843,316**	**11**	824,247	12
Debt instruments at FVOCI	**501,005**	**6**	461,665	6
Financial assets at FVPL	**2,555**	**0**	3,040	0
Loans and advances to customers (Gross)				
- Corporate	**1,477,558**	**19**	1,379,171	19
- SME	**473,657**	**6**	467,026	6
- Microfinance	**74,832**	**1**	33,254	0
- Mortgage	**44,447**	**1**	36,219	1
- Personal	**1,927,801**	**25**	1,568,578	22
Other assets*	**96,494**	**1**	98,473	1
	6,153,872	**79**	5,642,570	78
Off-balance sheet items				
Guarantees and indemnities	**1,221,272**	**16**	1,218,357	17
Letters of credit	**135,532**	**2**	187,598	3
Commitments to extend credit	**203,652**	**3**	160,798	2
	1,560,456	**21**	1,566,753	22
	7,714,328	**100**	7,209,323	100

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

The Group loans and advances to customers and Off-balance sheet items comprise of 72% (2019: 71%) of the total credit exposure. The directors are confident in the ability to continue to minimize the credit risk to the Group and Bank.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

Loans and advances to banks are to reputable banks operating internationally or in Tanzania and East Africa, and generally no securities held. The list of these banks and their nostro and placement accounts balances are shown below;

List of Loans and advances to banks

				In TZS' Million
	Name of Bank	**Country**	**2020**	**2019**
1	Kenya Commercial Bank	Tanzania	**-**	35,000
2	Standard Chartered	Tanzania	**11,594**	22,982
3	Tanzania Investment Bank	Tanzania	**15,536**	17,466
4	United Bank of Africa	Tanzania	**-**	19,261
5	MCB Mauritius	Mauritius	**11,594**	-
6	Diamond Trust Bank	Tanzania	**15,000**	-
7	Crown Agents Bank	UK	**11,594**	-
8	Absa Bank	Tanzania	**10,000**	-
9	CRDB Burundi	Burundi	**22,279**	-
10	NMB Bank	Tanzania	**70,000**	-
11	TPB Bank	Tanzania	**10,000**	-
12	PBZ	Tanzania	**12,000**	-
13	Others		**192,608**	252,067
			382,207	346,776

While collateral is an important mitigant to credit risk, the Group's underwriting policy ensures that loans are strictly granted on a going concern basis with adequate demonstration of repayment capacity. Other than exposures that are unsecured, all other facilities are secured by collateral in the form of charges over cash, land and buildings, marketable securities, plant and machinery, amongst other.

The tables on the following pages show;

- the maximum exposure to credit risk by class of financial asset. They also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.
- the analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECL when the expected value of the collateral, measured using multiple economic scenarios, is greater than the LGD. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is lower than fair value at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

Type of collateral or credit enhancement for all financial instruments and associated ECL

In TZS' Million

GROUP		Fair value of collateral and credit enhancements held							
31 December 2020	Maximum exposure to credit risk	Securities	3rd party/ gov guarantees	Property	Other	Surplus collateral	Total collateral	Net exposure	Associated ECL
Financial assets									
Loans and advances to banks	361,902	-	-	-	-	-	-	361,902	1,532
Debt instruments at amortised cost	995,824	-	-	-	-	-	-	995,824	172
Debt instruments at FVOCI	501,005	-	-	-	-	-	-	501,005	-
Financial assets at FVPL	8,127	-	-	-	-	-	-	8,127	-
Loans and advances to customers (Gross)									
- Corporate	1,484,200	452,577	265,594	5,097,590	335,543	(3,241,041)	2,910,263	(1,426,063)	67,432
- SME	475,666	116,688	116,640	1,470,974	51,446	(535,471)	1,220,277	(744,611)	14,937
- Microfinance	82,327	12,853	16,376	450,459	17,415	(229,260)	267,843	(185,516)	2,370
- Mortgage	50,614	10,221	5,749	98,083	845	(22,139)	92,759	(42,145)	1,403
- Personal	1,982,797	30,283	5,130	178,026	1,082	(44,099)	170,422	1,812,375	60,365
Credit cards	1,919	-	-	-	-	-	-	-	1,390
	5,944,381	622,622	409,489	7,295,132	406,331	(4,072,010)	4,661,564	1,280,898	149,601
Off-Balance sheet items									
Guarantees and indemnities	1,223,500	-	1,107,081	-	-	(175,723)	931,358	292,142	155
Letters of credit	136,830	-	-	-	-	-	-	136,830	14
Commitment to extend credit	209,180	-	-	-	-	-	-	209,180	-
	1,569,510	-	1,107,081	-	-	(175,723)	931,358	638,152	169

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

Type of collateral or credit enhancement for all financial instruments and associated ECL

In TZS' Million

GROUP		Fair value of collateral and credit enhancements held							
31 December 2019	Maximum exposure to credit risk	Securities	3rd party/ gov guarantees	Property	Other	Surplus collateral	Total collateral	Net exposure	Associated ECL
Financial assets									
Loans and advances to banks	323,677	-	-	-	-	-	-	323,677	626
Debt instruments at amortised cost	955,698	-	-	-	-	-	-	955,698	172
Debt instruments at FVOCI	461,665	-	-	-	-	-	-	461,665	-
Financial assets at FVPL	3,040	-	-	-	-	-	-	3,040	-
Loans and advances to customers (Gross)									
- Corporate	1,388,946	377,632	221,613	4,408,512	279,979	(2,493,389)	2,794,347	(1,405,401)	95,256
- SME	468,208	97,365	97,325	1,235,197	42,927	(258,200)	1,214,614	(746,406)	12,603
- Microfinance	131,986	10,725	13,664	634,437	14,532	(594,216)	79,142	52,845	432
- Mortgage	42,386	8,528	4,797	105,703	705	(44,390)	75,343	(32,958)	1,242
- Personal	1,602,653	68,043	33,479	770,483	30,167	(807,478)	94,694	1,507,959	49,538
Credit cards	1,335	-	-	-	-	-	-	-	23
	5,379,594	562,293	370,878	7,154,332	368,310	(4,197,673)	4,258,140	1,120,119	159,892
Off-Balance sheet items									
Guarantees and indemnities	1,218,686	-	1,011,271	-	-	(160,515)	850,756	367,930	155
Letters of credit	187,598	-	-	-	-	-	-	187,598	14
Commitment to extend credit	164,623	-	-	-	-	-	-	164,623	-
	1,570,907	-	1,011,271	-	-	(160,515)	850,756	720,151	169

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

Type of collateral or credit enhancement for all financial instruments and associated ECL

In TZS' Million

BANK		Fair value of collateral and credit enhancements held							
31 December 2020	Maximum exposure to credit risk	Securities	3rd party/ gov guarantees	Property	Other	Surplus collateral	Total collateral	Net exposure	Associated ECL
Financial assets									
Loans and advances to banks	382,207	-	-	-	-	-	-	382,207	1,532
Debt instruments at amortised cost	843,316	-	-	-	-	-	-	843,316	172
Debt instruments at FVOCI	501,005	-	-	-	-	-	-	501,005	-
Financial assets at FVPL	2,555	-	-	-	-	-	-	2,555	-
Loans and advances to customers (Gross)									
- Corporate	1,477,558	452,577	265,594	5,067,697	335,543	(3,231,077)	2,890,334	(1,412,776)	67,077
- SME	473,657	116,688	116,640	1,470,325	51,446	(535,255)	1,219,844	(746,188)	14,936
- Microfinance	74,832	12,853	16,376	450,252	17,415	(229,191)	267,705	(192,873)	2,360
- Mortgage	44,447	10,221	5,749	98,084	845	(22,139)	92,760	(48,312)	1,403
- Personal	1,927,801	30,284	5,130	173,836	1,082	(42,703)	167,629	1,760,172	60,361
Credit cards	1,919	-	-	-	-	-	-	-	1,390
	5,729,297	622,623	409,489	7,260,194	406,331	(4,060,365)	4,638,272	1,089,106	149,231
Off-Balance sheet items									
Guarantees and indemnities	1,221,272	-	1,107,081	-	-	(175,723)	931,358	289,914	155
Letters of credit	135,532	-	-	-	-	-	-	135,532	14
Commitment to extend credit	203,652	-	-	-	-	-	-	203,652	-
	1,560,456	-	1,107,081	-	-	(175,723)	931,358	629,098	169

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

Type of collateral or credit enhancement for all financial instruments and associated ECL

BANK									In TZS' Million
		Fair value of collateral and credit enhancements held							
31 December 2019	Maximum exposure to credit risk	Securities	3rd party/ gov guarantees	Property	Other	Surplus collateral	Total collateral	Net exposure	Associated ECL
Financial assets									
Loans and advances to banks	346,776	-	-	-	-	-	-	346,776	626
Debt instruments at amortised cost	824,247	-	-	-	-	-	-	824,247	4,026
Debt instruments at FVOCI	461,665	-	-	-	-	-	-	461,665	-
Financial assets at FVPL	3,040	-	-	-	-	-	-	3,040	-
Loans and advances to customers (Gross)									
- Corporate	1,379,171	413,410	242,609	4,629,125	306,504	(2,812,756)	2,778,892	(1,399,720)	94,948
- SME	467,026	106,590	106,546	1,343,080	46,994	(389,027)	1,214,183	(747,156)	12,594
- Microfinance	33,254	11,741	14,958	411,286	15,908	(374,890)	79,003	(45,750)	265
- Mortgage	36,219	9,336	5,251	89,595	772	(29,611)	75,343	(39,125)	1,242
- Personal	1,568,578	74,489	36,651	718,990	33,025	(775,726)	87,429	1,481,149	49,586
Credit cards	1,335	-	-	-	-	-	-	-	23
	5,121,311	615,566	406,015	7,192,076	403,203	(4,382,010)	4,234,850	885,126	163,310
Off-Balance sheet items									
Guarantees and indemnities	1,218,357	-	1,011,271	-	-	(160,515)	850,756	367,601	154
Letters of credit	187,598	-	-	-	-	-	-	187,598	14
Commitment to extend credit	160,798	-	-	-	-	-	-	160,798	-
	1,566,753	-	1,011,271	-	-	(160,515)	850,756	715,997	168

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECL when the expected value of the collateral, measured using multiple economic scenarios, is greater than the LGD. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is lower than fair value at the reporting date.

GROUP		Fair value of collateral and credit enhancements held under base case scenario							In TZS' Million
31 December 2020	Maximum exposure to credit risk	Securities	3rd party/ gov guarantees	Property	Other	Surplus collateral	Total collateral	Net exposure	Associated ECL
Financial assets									
Loans and advances to customers (Gross)									
- Corporate	110,261	-	176	230,249	-	(88,041)	142,384	(32,123)	64,334
- SME	35,345	16,082	7,023	86,006	579	(18,305)	91,385	(56,040)	9,553
- Microfinance	1,523	284	-	8,723	633	(2,593)	7,047	(5,524)	389
- Mortgage	4,198	-	-	7,094	-	(591)	6,503	(2,305)	361
- Personal	27,598	326	454	5,108	-	127	6,015	21,582	20,846
	178,925	16,692	7,653	337,180	1,212	(109,403)	253,334	(74,410)	95,483
31 December 2019									
Financial assets									
Loans and advances to customers (Gross)						-			
- Corporate	133,149	-	138	180,440	-	26,160	206,738	(73,589)	71,926
- SME	37,021	12,603	5,504	67,401	454	(4,041)	81,921	(44,900)	10,192
- Microfinance	163	222	-	6,836	496	(6,930)	624	(461)	5
- Mortgage	3,651	-	-	5,560	-	(125)	5,435	(1,784)	1,047
- Personal	26,593	256	356	4,003	-	(1,604)	3,011	23,582	18,751
	200,577	562,292	370,878	7,154,332	368,309	(4,197,672)	297,729	(97,152)	101,921

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECL when the expected value of the collateral, measured using multiple economic scenarios, is greater than the LGD. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is lower than fair value at the reporting date.

GROUP									In TZS' Million
		Fair value of collateral and credit enhancements held under base case scenario							
31 December 2020	**Maximum exposure to credit risk**	**Securities**	**3rd party/ gov guarantees**	**Property**	**Other**	**Surplus collateral**	**Total collateral**	**Net exposure**	**Associated ECL**
Financial assets									
Loans and advances to customers (Gross)									
- Corporate	**109,701**	**-**	**176**	**160,373**	**-**	**(26,137)**	**134,412**	**(24,711)**	**63,982**
- SME	**35,328**	**16,082**	**7,023**	**86,006**	**579**	**(18,478)**	**91,212**	**(55,884)**	**9,552**
- Microfinance	**1,523**	**284**	**-**	**8,723**	**633**	**(2,648)**	**6,992**	**(5,469)**	**388**
- Mortgage	**4,198**	**-**	**-**	**7,094**	**-**	**(591)**	**6,503**	**(2,306)**	**361**
- Personal	**27,239**	**326**	**454**	**5,108**	**-**	**(1,048)**	**4,841**	**22,398**	**20,844**
	177,990	**16,692**	**7,653**	**267,305**	**1,212**	**(48,902)**	**243,960**	**(65,971)**	**95,127**
31 December 2019									
Financial assets									
Loans and advances to customers (Gross)									
- Corporate	133,102	-	138	125,680	-	80,505	206,323	(73,221)	71,706
- SME	36,856	12,603	5,504	67,401	454	(4,041)	81,920	(45,064)	10,191
- Microfinance	162	222	-	6,836	496	(6,930)	625	(463)	5
- Mortgage	3,651	-	-	5,560	-	(125)	5,435	(1,784)	1,047
- Personal	25,936	256	356	4,003	-	(2,183)	2,432	23,504	18,727
	199,707	13,081	5,998	209,479	950	67,227	296,735	(97,028)	101,676

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

Below table shows financial instruments for which an entity has not recognised a loss allowance because of the collateral.

GROUP		Fair value of collateral and credit enhancements held under base case scenario						In TZS' Million
31 December 2020	**Maximum exposure to credit risk**	**Securities**	**3rd party/ gov guarantees**	**Property**	**Other**	**Surplus collateral**	**Total collateral**	**Net exposure**
Financial assets								
Loans and advances to customers (Gross)								
- Corporate	**1,170,745**	**237,875**	**465,561**	**4,167,366**	**10,387**	**(2,062,738)**	**2,818,451**	**(1,647,707)**
- SME	**375,417**	**148,627**	**83,360**	**1,369,691**	**38,175**	**(441,472)**	**1,198,381**	**(822,964)**
- Microfinance	**68,488**	**33,130**	**8,786**	**445,000**	**4,363**	**(224,580)**	**266,699**	**(198,211)**
- Mortgage	**34,566**	**6,467**	**5,066**	**84,990**	**4,526**	**(11,094)**	**89,956**	**(55,390)**
- Personal	**48,827**	**3,297**	**25,102**	**85,892**	**7,772**	**29,684**	**151,747**	**(102,920)**
	1,698,043	**429,396**	**587,875**	**6,152,939**	**65,223**	**(2,710,200)**	**4,525,233**	**(2,827,191)**
31 December 2019								
Financial assets								
Loans and advances to customers (Gross)								
- Corporate	992,884	377,632	221,613	4,408,512	279,979	(2,493,389)	2,794,347	(1,405,401)
- SME	296,671	97,365	97,325	1,235,197	42,927	(258,200)	1,214,614	(746,406)
- Microfinance	9,776	10,725	13,664	634,437	14,532	(594,216)	79,141	(40,239)
- Mortgage	23,739	8,528	4,797	105,703	705	(44,390)	75,344	(32,958)
- Personal	18,167	68,043	33,479	770,483	30,167	(807,478)	94,694	1,507,959
	1,341,237	562,292	370,878	7,154,332	368,309	(4,197,672)	4,258,140	(717,045)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

Below table shows financial instruments for which an entity has not recognised a loss allowance because of the collateral.

BANK		Fair value of collateral and credit enhancements held under base case scenario						In TZS' Million
31 December 2020	**Maximum exposure to credit risk**	**Securities**	**3rd party/ gov guarantees**	**Property**	**Other**	**Surplus collateral**	**Total collateral**	**Net exposure**
Financial assets								
Loans and advances to customers (Gross)								
- Corporate	**1,165,921**	**237,875**	**424,246**	**4,167,366**	**10,386**	**(2,296,858)**	**2,543,015**	**(1,377,094)**
- SME	**374,669**	**148,627**	**73,507**	**1,369,691**	**38,175**	**(497,306)**	**1,132,694**	**(758,025)**
- Microfinance	**68,169**	**33,130**	**8,271**	**445,000**	**4,363**	**(227,497)**	**263,266**	**(195,097)**
- Mortgage	**34,566**	**6,467**	**3,805**	**84,990**	**4,526**	**(18,242)**	**81,546**	**(46,980)**
- Personal	**47,589**	**3,297**	**16,698**	**85,892**	**7,771**	**(17,939)**	**95,720**	**(48,131)**
	1,690,915	**429,396**	**526,527**	**6,152,939**	**65,223**	**(3,057,843)**	**4,116,241**	**(2,425,327)**
31 December 2019								
Financial assets								
Loans and advances to customers (Gross)								
- Corporate	985,897	413,410	242,609	4,629,125	306,504	(2,812,756)	2,778,891	(1,399,720)
- SME	295,922	106,590	106,546	1,343,080	46,994	(389,027)	1,214,182	(747,156)
- Microfinance	8,356	11,741	14,958	411,286	15,908	(374,890)	79,004	(45,750)
- Mortgage	20,285	9,336	5,251	89,595	772	(29,611)	75,344	(39,125)
- Personal	17,781	74,489	36,651	718,990	33,025	(775,726)	87,429	1,481,149
	1,328,241	615,565	406,015	7,192,076	403,203	(4,382,010)	4,234,850	(750,602)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

The table below summarises the gross carrying amount for loans and advances with significant increase in credit risk and associated collateral.

GROUP	Gross carrying amount			Collateral			Net exposure		In TZS' Million
31 December 2020	**Total**	**Stage 2**	**Stage 3**	**Total**	**Stage 2**	**Stage 3**	**Total**	**Stage 2**	**Stage 3**
Corporate	**1,484,200**	**221,670**	**109,886**	**2,910,263**	**360,307**	**142,384**	**(1,426,063)**	**(138,637)**	**(32,498)**
SME	**475,666**	**69,103**	**35,510**	**1,220,277**	**179,990**	**91,385**	**(744,611)**	**(110,887)**	**(55,875)**
Microfinance	**50,614**	**7,882**	**4,198**	**267,843**	**8,756**	**7,047**	**(217,229)**	**(874)**	**(2,849)**
Mortgage	**1,982,797**	**24,122**	**27,806**	**92,759**	**11,631**	**6,503**	**1,890,038**	**12,491**	**21,303**
Personal loans	**82,327**	**2,037**	**1,525**	**170,422**	**3,896**	**6,016**	**(88,095)**	**(1,859)**	**(4,491)**
Total	**4,075,604**	**324,814**	**178,925**	**4,661,564**	**564,580**	**253,335**	**(585,960)**	**(239,766)**	**(74,410)**
31 December 2019									
Corporate	1,388,946	86,535	133,149	2,794,347	150,668	208,523	(1,405,401)	(64,133)	(75,374)
SME	468,208	29,246	37,021	1,214,614	68,723	85,920	(746,406)	(39,477)	(48,899)
Microfinance	38,902	298	163	79,141	1,146	625	(40,239)	(848)	(462)
Mortgage	42,386	1,427	3,651	75,344	2,479	5,435	(32,958)	(1,052)	(1,784)
Personal loans	1,602,653	11,806	26,593	94,694	2,393	3,106	1,507,959	9,413	23,487
Total	3,541,095	129,312	200,577	4,258,140	2,522,504	1,835,140	(717,045)	(96,097)	(103,032)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

The table below summarises the gross carrying amount for loans and advances with significant increase in credit risk and associated collateral.

In TZS' Million

BANK	Gross carrying amount			Collateral			Net exposure		
31 December 2020	**Total**	**Stage 2**	**Stage 3**	**Total**	**Stage 2**	**Stage 3**	**Total**	**Stage 2**	**Stage 3**
Corporate	**1,477,558**	**220,734**	**109,702**	**2,890,334**	**348,350**	**134,412**	**(1,412,776)**	**(127,616)**	**(24,710)**
SME	**473,657**	**69,080**	**35,328**	**1,219,845**	**179,730**	**91,212**	**(746,188)**	**(110,650)**	**(55,884)**
Microfinance	**44,447**	**7,882**	**4,198**	**267,705**	**8,673**	**6,992**	**(223,258)**	**(791)**	**(2,794)**
Mortgage	**1,927,801**	**24,392**	**27,238**	**92,759**	**11,631**	**6,503**	**1,835,042**	**12,761**	**20,735**
Personal loans	**74,832**	**2,037**	**1,524**	**167,485**	**2,133**	**4,841**	**(92,653)**	**(96)**	**(3,317)**
Total	**3,998,295**	**324,125**	**177,990**	**4,638,128**	**550,517**	**243,960**	**(639,833)**	**(226,392)**	**(65,970)**
31 December 2019									
Corporate	1,379,171	86,118	133,102	2,778,891	141,768	206,323	(1,399,720)	(55,650)	(73,221)
SME	467,026	29,246	36,856	1,214,182	67,423	81,920	(747,156)	(38,177)	(45,064)
Microfinance	33,254	298	162	79,004	1,146	625	(45,750)	(848)	(463)
Mortgage	36,219	1,427	3,651	75,344	2,479	5,435	(39,125)	(1,052)	(1,784)
Personal loans	1,568,578	11,806	25,936	87,429	1,893	2,432	1,481,149	9,913	23,504
Total	3,484,248	128,895	199,707	4,234,850	214,709	296,735	(750,602)	(85,814)	(97,028)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers

Loans and advances based on internal rating are summarised as follows:

GROUP				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**3,571,865**	**-**	**-**	**3,571,865**
Especially mentioned	**-**	**324,814**	**-**	**324,814**
Sub-standard	**-**	**-**	**78,585**	**78,585**
Doubtful	**-**	**-**	**44,418**	**44,418**
Loss	**-**	**-**	**55,922**	**55,922**
Gross Carrying amount	**3,571,865**	**324,814**	**178,925**	**4,075,604**
ECL allowance	**(38,745)**	**(12,280)**	**(95,483)**	**(146,508)**
Net Loans and advances to customers	**3,533,120**	**312,534**	**83,442**	**3,929,096**
31 December 2019				
Current	3,211,206	-	-	3,211,206
Especially mentioned	-	129,312	-	129,312
Sub-standard	-	-	83,457	83,457
Doubtful	-	-	36,660	36,660
Loss	-	-	80,460	80,460
Gross Carrying amount	3,211,206	129,312	200,577	3,541,095
ECL allowance	(46,446)	(10,704)	(101,921)	(159,071)
Net Loans and advances to customers	3,164,760	118,608	98,656	3,382,024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Loans and advances based on internal rating are summarised as follows:

BANK				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**3,496,180**	**-**	**-**	**3,496,180**
Especially mentioned	**-**	**324,125**	**-**	**324,125**
Sub-standard	**-**	**-**	**77,824**	**77,824**
Doubtful	**-**	**-**	**44,256**	**44,256**
Loss	**-**	**-**	**55,910**	**55,910**
Gross Carrying amount	**3,496,180**	**324,125**	**177,990**	**3,998,295**
ECL allowance	**(38,731)**	**(12,279)**	**(95,127)**	**(146,137)**
Net Loans and advances to customers	**3,457,449**	**311,846**	**82,863**	**3,852,158**
31 December 2019				
Current	3,155,646	-	-	3,155,646
Especially mentioned	-	128,895	-	128,895
Sub-standard	-	-	82,872	82,872
Doubtful	-	-	36,430	36,430
Loss	-	-	80,405	80,405
Gross Carrying amount	3,155,646	128,895	199,707	3,484,248
ECL allowance	(46,258)	(10,701)	(101,676)	(158,635)
Net Loans and advances to customers	3,109,388	118,194	98,031	3,325,613

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Corporate lending

An analysis of Loans and advances based on internal rating in relation to Corporate lending is, as follows:

GROUP				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**1,152,644**	**-**	**-**	**1,152,644**
Especially mentioned	**-**	**221,670**	**-**	**221,670**
Sub-standard	**-**	**-**	**53,871**	**53,871**
Doubtful	**-**	**-**	**22,327**	**22,327**
Loss	**-**	**-**	**33,688**	**33,688**
Gross Carrying amount	**1,152,644**	**221,670**	**109,886**	**1,484,200**
ECL allowance	**(1,873)**	**(1,309)**	**(64,334)**	**(67,516)**
Net Loans and advances to customers	**1,150,771**	**220,361**	**45,552**	**1,416,684**
31 December 2019				
Current	1,169,262	-	-	1,169,262
Especially mentioned	-	86,535	-	86,535
Sub-standard	-	-	60,334	60,334
Doubtful	-	-	19,387	19,387
Loss	-	-	53,428	53,428
Gross Carrying amount	1,169,262	86,535	133,149	1,388,946
ECL allowance	(17,060)	(6,270)	(71,926)	(95,256)
Net Loans and advances to customers	1,152,202	80,265	61,223	1,293,690

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

SME lending

An analysis of Loans and advances based on internal rating in relation to SME lending is, as follows:

GROUP				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**371,053**	**-**	**-**	**371,053**
Especially mentioned	**-**	**69,103**	**-**	**69,103**
Sub-standard	**-**	**-**	**12,149**	**12,149**
Doubtful	**-**	**-**	**11,558**	**11,558**
Loss	**-**	**-**	**11,803**	**11,803**
Gross Carrying amount	**371,053**	**69,103**	**35,510**	**475,666**
ECL allowance	**(3,815)**	**(1,568)**	**(9,553)**	**(14,936)**
Net Loans and advances to customers	**367,238**	**67,535**	**25,957**	**460,730**
31 December 2019				
Current	401,941	-	-	401,941
Especially mentioned	-	29,246	-	29,246
Sub-standard	-	-	12,553	12,553
Doubtful	-	-	7,652	7,652
Loss	-	-	16,816	16,816
Gross Carrying amount	401,941	29,246	37,021	468,208
ECL allowance	(1,589)	(822)	(10,192)	(12,603)
Net Loans and advances to customers	400,352	28,424	26,829	455,605

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Microfinance lending

An analysis of Loans and advances based on internal rating in relation to Microfinance lending is, as follows:

GROUP				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**78,765**	**-**	**-**	**78,767**
Especially mentioned	**-**	**2,037**	**-**	**2,037**
Sub-standard	**-**	**-**	**457**	**457**
Doubtful	**-**	**-**	**649**	**649**
Loss	**-**	**-**	**419**	**419**
Gross Carrying amount	**78,765**	**2,037**	**1,525**	**82,327**
ECL allowance	**(1,966)**	**(10)**	**(389)**	**(2,365)**
Net Loans and advances to customers	**76,799**	**2,027**	**1,136**	**79,962**
31 December 2019				
Current	38,441	-	-	38,441
Especially mentioned	-	298	-	298
Sub-standard	-	-	6	6
Doubtful	-	-	32	32
Loss	-	-	125	125
Gross Carrying amount	38,441	298	163	38,902
ECL allowance	(420)	(7)	(5)	(432)
Net Loans and advances to customers	38,021	291	158	38,470

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Mortgage lending

An analysis of Loans and advances based on internal rating in relation to Mortgage lending is, as follows:

GROUP				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**38,534**	**-**	**-**	**38,550**
Especially mentioned	**-**	**7,882**	**-**	**7,883**
Sub-standard	**-**	**-**	**2,391**	**2,391**
Doubtful	**-**	**-**	**798**	**798**
Loss	**-**	**-**	**1,009**	**1,009**
Gross Carrying amount	**38,534**	**7,882**	**4,198**	**50,614**
ECL allowance	**(619)**	**(425)**	**(361)**	**(1,405)**
Net Loans and advances to customers	**37,915**	**7,457**	**3,837**	**49,209**
31 December 2019				
Current	37,308	-	-	37,308
Especially mentioned	-	1,427	-	1,427
Sub-standard	-	-	1,413	1,413
Doubtful	-	-	1,699	1,699
Loss	-	-	539	539
Gross Carrying amount	37,308	1,427	3,651	42,386
ECL allowance	(118)	(77)	(1,047)	(1,242)
Net Loans and advances to customers	37,190	1,350	2,604	41,144

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 CREDIT RISK (CONTINUED)

10.3.8 Analysis of loans and advances to customers (continued)

Personal lending

An analysis of Loans and advances based on internal rating in relation to Personal lending is, as follows:

GROUP				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	1,930,869	-	-	1,930,869
Especially mentioned	-	24,122	-	24,122
Sub-standard	-	-	9,717	9,717
Doubtful	-	-	9,086	9,086
Loss	-	-	9,003	9,003
Gross Carrying amount	1,930,869	24,122	27,806	1,984,328
ECL allowance	(30,472)	(8,968)	(20,846)	(60,286)
Net Loans and advances to customers	1,900,397	15,154	6,960	1,922,511
31 December 2019				
Current	1,564,254	-	-	1,564,254
Especially mentioned	-	11,806	-	11,806
Sub-standard	-	-	9,151	9,151
Doubtful	-	-	7,890	7,890
Loss	-	-	9,552	9,552
Gross Carrying amount	1,564,254	11,806	26,593	1,602,653
ECL allowance	(27,259)	(3,528)	(18,751)	(49,538)
Net Loans and advances to customers	1,536,995	8,278	7,842	1,553,115

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Corporate lending

An analysis of Loans and advances based on internal rating in relation to Corporate lending is, as follows:

BANK				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	1,147,122	-	-	1,147,122
Especially mentioned	-	220,734	-	220,734
Sub-standard	-	-	53,446	53,446
Doubtful	-	-	22,193	22,193
Loss	-	-	34,063	34,063
Gross Carrying amount	1,147,122	220,173	109,702	1,477,558
ECL allowance	(1,786)	(1,307)	(63,982)	(67,075)
Net Loans and advances to customers	1,145,336	219,427	45,720	1,410,483
31 December 2019				
Current	1,159,951	-	-	1,159,951
Especially mentioned	-	86,118	-	86,118
Sub-standard	-	-	60,326	60,326
Doubtful	-	-	19,368	19,368
Loss	-	-	53,408	53,408
Gross Carrying amount	1,159,951	86,118	133,102	1,379,171
ECL allowance	(16,972)	(6,270)	(71,706)	(94,948)
Net Loans and advances to customers	1,142,979	79,848	61,396	1,284,223

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

SME lending

An analysis of Loans and advances based on internal rating in relation to SME lending is, as follows:

BANK				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**369,249**	**-**	**-**	**369,249**
Especially mentioned	**-**	**69,080**	**-**	**69,642**
Sub-standard	**-**	**-**	**12,133**	**12,133**
Doubtful	**-**	**-**	**11,558**	**11,558**
Loss	**-**	**-**	**11,637**	**11,637**
Gross Carrying amount	**369,249**	**69,080**	**35,328**	**473,657**
ECL allowance	**(3,816)**	**(1,571)**	**(9,552)**	**(14,939)**
Net Loans and advances to customers	**365,433**	**67,509**	**25,776**	**458,718**
31 December 2019				
Current	400,924	-	-	400,924
Especially mentioned	-	29,246	-	29,246
Sub-standard	-	-	12,400	12,400
Doubtful	-	-	7,640	7,640
Loss	-	-	16,816	16,816
Gross Carrying amount	400,924	29,246	36,856	467,026
ECL allowance	(1,578)	(825)	(10,191)	(12,594)
Net Loans and advances to customers	399,346	28,421	26,665	454,432

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Microfinance lending

An analysis of Loans and advances based on internal rating in relation to Microfinance lending is, as follows:

BANK				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**71,271**	**-**	**-**	**71,271**
Especially mentioned	**-**	**2,037**	**-**	**2,037**
Sub-standard	**-**	**-**	**457**	**457**
Doubtful	**-**	**-**	**649**	**649**
Loss	**-**	**-**	**418**	**418**
Gross Carrying amount	**71,271**	**2,037**	**1,524**	**74,832**
ECL allowance	**(1,954)**	**(4)**	**(388)**	**(2,346)**
Net Loans and advances to customers	**69,317**	**2,033**	**1,136**	**72,486**
31 December 2019				
Current	32,794	-	-	32,794
Especially mentioned	-	298	-	298
Sub-standard	-	-	5	5
Doubtful	-	-	32	32
Loss	-	-	125	125
Gross Carrying amount	32,794	298	162	33,254
ECL allowance	(258)	(2)	(5)	(265)
Net Loans and advances to customers	32,536	296	157	32,989

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Mortgage lending

An analysis of Loans and advances based on internal rating in relation to Mortgage lending is, as follows:

BANK				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**32,367**	**-**	**-**	**32,367**
Especially mentioned	**-**	**7,882**	**-**	**7,882**
Sub-standard	**-**	**-**	**2,391**	**2,391**
Doubtful	**-**	**-**	**798**	**798**
Loss	**-**	**-**	**1,009**	**1,009**
Gross Carrying amount	**32,367**	**7,882**	**4,198**	**44,447**
ECL allowance	**(619)**	**(425)**	**(361)**	**(1,405)**
Net Loans and advances to customers	**31,748**	**7,457**	**3,837**	**43,042**
31 December 2019				
Current	31,141	-	-	31,141
Especially mentioned	-	1,427	-	1,427
Sub-standard	-	-	1,413	1,413
Doubtful	-	-	1,699	1,699
Loss	-	-	539	539
Gross Carrying amount	31,141	1,427	3,651	36,219
ECL allowance	(118)	(77)	(1,047)	(1,242)
Net Loans and advances to customers	31,023	1,350	2,604	34,977

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Personal lending

An analysis of Loans and advances based on internal rating in relation to Personal lending is, as follows:

GROUP				In TZS' Million
Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Current	**1,876,171**	**-**	**-**	**1,876,171**
Especially mentioned	**-**	**24,392**	**-**	**24,391**
Sub-standard	**-**	**-**	**9,397**	**9,397**
Doubtful	**-**	**-**	**9,058**	**9,058**
Loss	**-**	**-**	**8,783**	**8,783**
Gross Carrying amount	**1,876,171**	**24,392**	**27,238**	**1,927,801**
ECL allowance	**(30,556)**	**(8,972)**	**(20,844)**	**(60,372)**
Net Loans and advances to customers	**1,845,615**	**15,420**	**6,394**	**1,867,429**
31 December 2019				
Current	1,530,836	-	-	1,530,836
Especially mentioned	-	11,806	-	11,806
Sub-standard	-	-	8,728	8,728
Doubtful	-	-	7,691	7,691
Loss	-	-	9,517	9,517
Gross Carrying amount	1,530,836	11,806	25,936	1,568,578
ECL allowance	(27,332)	(3,527)	(18,727)	(49,586)
Net Loans and advances to customers	1,503,504	8,279	7,209	1,518,992

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

An analysis of changes in the gross carrying amount for the Group is, as follows:

GROUP				In TZS' Million
Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2020	**3,211,206**	**129,312**	**200,577**	**3,541,095**
Changes in the gross carrying amount				
- Transfer to stage 1	**53,682**	**(39,582)**	**(14,100)**	**-**
- Transfer to stage 2	**(234,030)**	**244,285**	**(10,255)**	**-**
- Transfer to stage 3	**(92,145)**	**(19,760)**	**111,905**	**-**
New financial assets originated or purchased	**715,231**	**27,199**	**3,254**	**745,684**
Payments received and financial assets derecognised	**(91,950)**	**(30,690)**	**(18,280)**	**(140,920)**
Effects of modification	**(37,107)**	**5,645**	**-**	**(31,462)**
Accrued interest	**46,978**	**8,405**	**5,920**	**61,303**
Write-offs	**-**	**-**	**(100,096)**	**(100,096)**
Gross carrying amount as at 31 December 2020	**3,571,865**	**324,814**	**178,925**	**4,075,604**
Loss allowance as at 31 December 2020	**38,745**	**12,280**	**95,483**	**146,508**
Gross carrying amount as at 1 January 2019	3,027,465	63,982	221,931	3,313,378
Changes in the gross carrying amount				
- Transfer to stage 1	44,687	(32,434)	(12,253)	-
- Transfer to stage 2	(103,216)	115,844	(12,628)	-
- Transfer to stage 3	(56,997)	(12,715)	69,712	-
New financial assets originated or purchased	512,138	686	2,877	515,701
Payments received and financial assets derecognised	(249,091)	(7,738)	29,578	(227,251)
Accrued interest	41,628	3,256	19,313	64,197
Write-offs	(5,408)	(1,569)	(117,953)	(124,930)
Gross carrying amount as at 31 December 2019	3,211,206	129,312	200,577	3,541,095
Loss allowance as at 31 December 2019	46,446	10,704	101,921	159,071

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

An analysis of changes in the corresponding ECL allowances for the Group is, as follows:

GROUP Loss allowances - Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Loss allowance as at 1 January 2020	**46,446**	**10,704**	**101,921**	**159,071**
Changes in the loss allowance				
- Transfer to stage 1	**9,053**	**(5,393)**	**(3,660)**	**-**
- Transfer to stage 2	**(3,166)**	**4,222**	**(1,056)**	**-**
- Transfer to stage 3	**(2,837)**	**(2,271)**	**5,108**	**-**
- Write-offs	**-**	**-**	**63,653**	**63,653**
New financial assets originated or purchased	**22,803**	**22**	**36**	**22,861**
Financial assets that have been derecognised	**(45,716)**	**(6,578)**	**(107,000)**	**(159,294)**
Unwind discount	**4,760**	**619**	**8,067**	**13,444**
Impact on ECL Transfers	**87,346**	**(5,317)**	**(44,851)**	**37,178**
Effects of modification	**(174)**	**(22)**	**-**	**(196)**
Changes in models/risk parameters	**(79,770)**	**16,294**	**73,265**	**9,594**
Loss allowance as at 31 December 2020	**38,745**	**12,280**	**95,483**	**146,508**
Loss allowance as at 1 January 2019	59,001	6,761	120,883	186,645
Changes in the loss allowance				
- Transfer to stage 1	6,937	(2,883)	(4,054)	-
- Transfer to stage 2	(1,183)	2,667	(1,484)	-
- Transfer to stage 3	(1,389)	(2,662)	4,051	-
- Write-offs	-	-	(45,582)	(45,582)
New financial assets originated or purchased	5,921	516	1,378	7,815
Financial assets that have been derecognised	(6,375)	(515)	(72,458)	(79,348)
Unwind discount	8,792	503	4,458	13,753
Impact on ECL Transfers	(28,481)	7,100	49,346	27,965
Changes in models/risk parameters	3,234	(783)	45,372	47,823
Foreign exchange and other movements	(11)	-	11	-
Loss allowance as at 31 December 2019	46,446	10,704	101,921	159,071

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances for the Bank is, as follows:

BANK				In TZS' Million
Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2020	**3,155,646**	**128,895**	**199,707**	**3,484,248**
Changes in the gross carrying amount				
– Transfer to stage 1	**52,754**	**(38,852)**	**(13,902)**	**-**
– Transfer to stage 2	**(228,871)**	**238,822**	**(9,951)**	**-**
– Transfer to stage 3	**(92,039)**	**(19,623)**	**111,662**	**-**
New financial assets originated or purchased	**678,415**	**27,536**	**3,180**	**644,131**
Payments received and financial assets derecognised	**(81,774)**	**(26,703)**	**(18,147)**	**(78,624)**
Effects of modification	**(31,483)**	**5,645**	**-**	**(5,838)**
Accrued interest	**43,532**	**8,405**	**4,886**	**53,823**
Write-offs	**-**	**-**	**(99,445)**	**(99,445)**
Gross carrying amount as at 31 December 2020	**3,496,180**	**324,125**	**177,990**	**3,998,295**
Loss allowance as at 31 December 2020	**38,731**	**12,279**	**95,127**	**146,137**
Gross carrying amount as at 1 January 2019	2,963,711	62,839	221,419	3,247,969
Changes in the gross carrying amount				
– Transfer to stage 1	44,192	(32,013)	(12,179)	-
– Transfer to stage 2	(101,701)	114,329	(12,628)	-
– Transfer to stage 3	(54,672)	(13,590)	68,262	-
New financial assets originated or purchased	446,326	1,126	5,470	452,922
Payments received and financial assets derecognised	(187,934)	(6,459)	31,005	(163,388)
Accrued interest	50,852	4,224	2,277	57,353
Write-offs	(5,128)	(1,561)	(117,919)	(124,608)
Gross carrying amount as at 31 December 2019	3,155,646	128,895	199,707	3,484,248
Loss allowance as at 31 December 2019	46,258	10,701	101,676	158,635

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

An analysis of changes in the corresponding ECL allowances for the Bank is, as follows:

BANK **Loss allowances - Loans and advances to customers at amortised cost**	**Stage 1**	**Stage 2**	**Stage 3**	In TZS' Million **Total**
Loss allowance as at 1 January 2020	**46,258**	**10,701**	**101,676**	**158,635**
Changes in the loss allowance				
– Transfer to stage 1	**8,814**	**(5,391)**	**(3,423)**	**-**
– Transfer to stage 2	**(3,166)**	**4,219**	**(1,053)**	**-**
– Transfer to stage 3	**(2,837)**	**(2,270)**	**5,108**	**-**
– Write-offs	**-**	**-**	**63,715**	**63,715**
New financial assets originated or purchased	**22,802**	**22**	**35**	**22,860**
Financial assets that have been derecognised	**(45,711)**	**(6,578)**	**(106,996)**	**(159,285)**
Unwind discount	**4,730**	**618**	**8,066**	**13,414**
Impact on ECL Transfers	**87,754**	**(5,314)**	**(45,205)**	**37,235**
Effects of modification	**(174)**	**(22)**	**-**	**(196)**
Changes in models/risk parameters	**(79,913)**	**16,272**	**73,204**	**9,563**
Loss allowance as at 31 December 2020	**38,731**	**12,279**	**95,127**	**146,137**
Loss allowance as at 1 January 2019	58,824	6,752	120,849	186,425
Changes in the loss allowance				
– Transfer to stage 1	6,920	(2,879)	(4,041)	-
– Transfer to stage 2	(1,180)	2,664	(1,484)	-
– Transfer to stage 3	(1,388)	(2,662)	4,050	-
New financial assets originated or purchased	-	-	(45,610)	(45,610)
Financial assets that have been derecognised	5,903	504	1,105	7,512
Unwind discount	(6,338)	(511)	(72,149)	(78,998)
Impact on ECL Transfers	8,781	503	4,454	13,738
Changes in models/risk parameters	(28,524)	7,114	49,074	27,664
Foreign exchange and other movements	3,260	(784)	45,428	47,904
Loss allowance as at 31 December 2019	46,258	10,701	101,676	158,635

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Corporate lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Corporate lending is, as follows:

GROUP				In TZS' Million
Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2020	**1,169,262**	**86,535**	**133,149**	**1,388,946**
Changes in the gross carrying amount				
– Transfer to stage 1	**32,370**	**(26,654)**	**(5,716)**	**-**
– Transfer to stage 2	**(156,461)**	**164,489**	**(8,028)**	**-**
– Transfer to stage 3	**(43,422)**	**(8,115)**	**51,537**	**-**
New financial assets originated or purchased	**203,606**	**19,800**	**2,404**	**226,580**
Payments received and financial assets derecognised	**(38,012)**	**(24,899)**	**(4,551)**	**(68,232)**
Effects of modification	**(37,107)**	**5,645**	**-**	**(31,462)**
Accrued interest	**22,408**	**4,869**	**1,518**	**28,795**
Write-offs	**-**	**-**	**(60,427)**	**(60,427)**
Gross carrying amount as at 31 December 2020	**1,152,644**	**221,670**	**109,886**	**1,484,200**
Loss allowance as at 31 December 2020	**1,873**	**1,309**	**64,334**	**67,516**
Gross carrying amount as at 1 January 2019	1,168,812	36,376	152,773	1,357,961
Changes in the gross carrying amount				
– Transfer to stage 1	25,942	(23,605)	(2,337)	-
– Transfer to stage 2	(61,631)	71,232	(9,601)	-
– Transfer to stage 3	(17,481)	(1,899)	19,380	-
New financial assets originated or purchased	153,159	344	1,725	155,228
Payments received and financial assets derecognised	(116,439)	2,737	50,809	(62,893)
Accrued interest	20,522	1,679	8,839	31,040
Write-offs	(3,622)	(329)	(88,439)	(92,390)
Gross carrying amount as at 31 December 2019	1,169,262	86,535	133,149	1,388,946
Loss allowance as at 31 December 2019	17,060	6,270	71,926	95,256

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Corporate lending (continued)

GROUP Loss allowances - Loans and advances to customers at amortised costt	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Loss allowance as at 1 January 2020	**17,060**	**6,270**	**71,926**	**95,256**
Changes in the loss allowance				
– Transfer to stage 1	**4,235**	**(3,937)**	**(298)**	**-**
– Transfer to stage 2	**(2,229)**	**2,668**	**(439)**	**-**
– Transfer to stage 3	**(2,078)**	**(937)**	**3,015**	**-**
– Write-offs	**-**	**-**	**50,640**	**50,640**
New financial assets originated or purchased	**7,772**	**-**	**-**	**7,772**
Payments received and financial assets derecognised	**(36,908)**	**-**	**(70,083)**	**(106,991)**
Unwind discount	**956**	**325**	**6,680**	**7,961**
Impact on ECL Transfers	**55,341**	**(3,341)**	**(29,353)**	**22,647**
Effects of modification	**(174)**	**(22)**	**-**	**(196)**
Changes in models/risk parameters	**(42,102)**	**283**	**32,246**	**(9,573)**
Loss allowance as at 31 December 2020	**1,873**	**1,309**	**64,334**	**67,516**
Loss allowance as at 1 January 2019	11,464	163	88,678	100,305
Changes in the loss allowance				
– Transfer to stage 1	117	(33)	(84)	-
– Transfer to stage 2	(67)	907	(840)	-
– Transfer to stage 3	(426)	-	426	-
– Write-offs	-	-	(35,395)	(35,395)
New financial assets originated or purchased	716	1	79	796
Payments received and financial assets derecognised	(6,236)	(1)	(50,758)	(56,995)
Unwind discount	1,791	205	2,623	4,619
Impact on ECL Transfers	(1,894)	5,235	33,261	36,602
Changes in models/risk parameters	11,593	(205)	33,936	45,324
Foreign exchange and other movements	2	(2)	-	-
Loss allowance as at 31 December 2019	17,060	6,270	71,926	95,256

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

SME lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to SME lending is, as follows:

GROUP				In TZS' Million
Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2020	**401,941**	**29,246**	**37,021**	**468,208**
Changes in the gross carrying amount				
– Transfer to stage 1	**11,977**	**(7,533)**	**(4,444)**	**-**
– Transfer to stage 2	**(49,976)**	**50,973**	**(997)**	**-**
– Transfer to stage 3	**(22,142)**	**(7,762)**	**29,904**	**-**
New financial assets originated or purchased	**87,539**	**1,655**	**-**	**89,194**
Payments received and financial assets derecognised	**(65,452)**	**(148)**	**(7,048)**	**(72,648)**
Effects of modification	**-**	**-**	**-**	**-**
Accrued interest	**7,166**	**2,672**	**3,934**	**13,772**
Write-offs	**-**	**-**	**(22,860)**	**(22,860)**
Gross carrying amount as at 31 December 2020	**371,053**	**69,103**	**35,510**	**475,666**
Loss allowance as at 31 December 2020	**3,815**	**1,568**	**9,553**	**14,936**
Gross carrying amount as at 1 January 2019	374,935	12,906	28,400	416,241
Changes in the gross carrying amount				
– Transfer to stage 1	6,930	(2,448)	(4,482)	-
– Transfer to stage 2	(26,015)	28,506	(2,491)	-
– Transfer to stage 3	(18,501)	(5,199)	23,700	-
New financial assets originated or purchased	94,262	98	513	101,355
Payments received and financial assets derecognised	(34,633)	(4,255)	(3,292)	(42,180)
Accrued interest	6,142	74	266	13,044
Write-offs	(1,179)	(436)	(5,593)	(7,208)
Gross carrying amount as at 31 December 2019	401,941	29,246	37,021	468,208
Loss allowance as at 31 December 2019	1,589	822	10,192	12,603

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

SME lending (continued)

GROUP Loss allowances - Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Loss allowance as at 1 January 2020	**1,589**	**822**	**10,192**	**12,603**
Changes in the loss allowance				
– Transfer to stage 1	**1,357**	**(289)**	**(1,068)**	**-**
– Transfer to stage 2	**(354)**	**399**	**(45)**	**-**
– Transfer to stage 3	**(167)**	**(199)**	**366**	**-**
– Write-offs	**-**	**-**	**7,970**	**7,970**
New financial assets originated or purchased	**2,163**	**7**	**1**	**2,171**
Payments received and financial assets derecognised	**(4,430)**	**(4,018)**	**(22,152)**	**(30,600)**
Unwind discount	**151**	**112**	**398**	**661**
Impact on ECL Transfers	**10,522**	**(667)**	**(2,465)**	**7,390**
Changes in models/risk parameters	**(7,016)**	**5,401**	**16,356**	**14,741**
Loss allowance as at 31 December 2020	**3,815**	**1,568**	**9,553**	**14,936**
Loss allowance as at 1 January 2019	3,189	917	3,527	7,633
Changes in the loss allowance				
– Transfer to stage 1	556	(108)	(448)	-
– Transfer to stage 2	(567)	871	(304)	-
– Transfer to stage 3	(287)	(614)	901	-
New financial assets originated or purchased	-	-	(2,567)	(2,567)
Payments received and financial assets derecognised	469	44	858	1,371
Unwind discount	(76)	(143)	(4,423)	(4,642)
Impact on ECL Transfers	445	153	463	1,061
Changes in models/risk parameters	(2,181)	(145)	5,621	3,295
Foreign exchange and other movements	41	(153)	6,564	6,452
Loss allowance as at 31 December 2019	1,589	822	10,192	12,603

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Microfinance lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Microfinance lending is, as follows:

GROUP				In TZS' Million
Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2020	**38,441**	**298**	**163**	**38,902**
Changes in the gross carrying amount				
– Transfer to stage 1	**30**	**(22)**	**(8)**	**-**
– Transfer to stage 2	**(1,093)**	**1,126**	**(33)**	**-**
– Transfer to stage 3	**(1,245)**	**(153)**	**1,398**	**-**
New financial assets originated or purchased	**43,383**	**835**	**248**	**44,466**
Payments received and financial assets derecognised	**(1,484)**	**(144)**	**(272)**	**(1,900)**
Effects of modification	**-**	**-**	**-**	**-**
Accrued interest	**733**	**97**	**174**	**1,004**
Write-offs	**-**	**-**	**(145)**	**(145)**
Gross carrying amount as at 31 December 2020	**78,765**	**2,037**	**1,525**	**82,327**
Loss allowance as at 31 December 2020	**1,966**	**10**	**389**	**2,365**
Gross carrying amount as at 1 January 2019	54,144	1,384	12,526	68,054
Changes in the gross carrying amount				
– Transfer to stage 1	469	(27)	(442)	-
– Transfer to stage 2	(1,842)	1,842	-	-
– Transfer to stage 3	(685)	(1,265)	1,950	-
New financial assets originated or purchased	18,192	209	79	18,794
Payments received and financial assets derecognised	(32,119)	(1,859)	(3,089)	(37,067)
Accrued interest	282	14	18	313
Write-offs	-	-	(10,879)	(10,879)
Gross carrying amount as at 31 December 2019	38,441	298	163	38,902
Loss allowance as at 31 December 2019	420	7	5	432

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Microfinance lending (continued)

GROUP Loss allowances - Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Loss allowance as at 1 January 2020	**420**	**7**	**5**	**432**
Changes in the loss allowance				
- Transfer to stage 1	**4**	**(3)**	**(1)**	**-**
- Transfer to stage 2	**(1)**	**6**	**(5)**	**-**
- Transfer to stage 3	**(3)**	**(1)**	**4**	**-**
- Write-offs	**-**	**-**	**4**	**4**
New financial assets originated or purchased	**1,314**	**4**	**1**	**1,321**
Payments received and financial assets derecognised	**(19)**	**(36)**	**(94)**	**(149)**
Unwind discount	**16**	**-**	**1**	**17**
Impact on ECL Transfers	**607**	**(3)**	**(5)**	**599**
Changes in models/risk parameters	**(372)**	**35**	**478**	**141**
Foreign exchange and other movements	**-**	**-**	**-**	**-**
Loss allowance as at 31 December 2020	**1,966**	**10**	**389**	**2,365**
Loss allowance as at 1 January 2019	1,354	268	11,540	13,162
Changes in the loss allowance				
- Transfer to stage 1	262	-	(262)	-
- Transfer to stage 2	(42)	42	-	-
- Transfer to stage 3	(5)	(266)	271	-
- Write-offs	-	-	(313)	(313)
New financial assets originated or purchased	91	4	-	95
Payments received and financial assets derecognised	-	-	(10,566)	(10,566)
Unwind discount	128	5	96	229
Impact on ECL Transfers	(223)	1	7	(215)
Changes in models/risk parameters	(1,139)	(47)	(774)	(1,960)
Foreign exchange and other movements	(6)	-	6	-
Loss allowance as at 31 December 2019	420	7	5	432

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Mortgage lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to mortgage lending is, as follows:

GROUP				In TZS' Million
Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2020	**37,308**	**1,427**	**3,651**	**42,386**
Changes in the gross carrying amount				
– Transfer to stage 1	**1,886**	**(721)**	**(1,165)**	**-**
– Transfer to stage 2	**(6,425)**	**6,672**	**(247)**	**-**
– Transfer to stage 3	**(2,468)**	**(276)**	**2,744**	**-**
New financial assets originated or purchased	**8,081**	**784**	**-**	**8,095**
Payments received and financial assets derecognised	**(235)**	**(150)**	**(416)**	**(31)**
Effects of modification	**-**	**-**	**-**	**-**
Accrued interest	**387**	**146**	**-**	**533**
Write-offs	**-**	**-**	**(369)**	**(369)**
Gross carrying amount as at 31 December 2020	**38,534**	**7,882**	**4,198**	**50,614**
Loss allowance as at 31 December 2020	**619**	**425**	**361**	**1,405**
Gross carrying amount as at 1 January 2019	39,050	924	630	40,604
Changes in the gross carrying amount				
– Transfer to stage 1	84	(84)	-	-
– Transfer to stage 2	(1,432)	1,432	-	-
– Transfer to stage 3	(2,351)	(834)	3,185	-
New financial assets originated or purchased	4,809	59	119	5,483
Payments received and financial assets derecognised	(3,195)	(104)	(373)	(3,672)
Accrued interest	367	34	425	826
Write-offs	(24)	-	(5)	(29)
Gross carrying amount as at 31 December 2019	37,308	1,427	3,651	42,386
Loss allowance as at 31 December 2019	118	77	1,047	1,242

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Mortgage lending (continued)

GROUP Loss allowances - Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	Total In TZS' Million
Loss allowance as at 1 January 2020	**118**	**77**	**1,047**	**1,242**
Changes in the loss allowance				
– Transfer to stage 1	**560**	**(60)**	**(500)**	**-**
– Transfer to stage 2	**(41)**	**73**	**(32)**	**-**
– Transfer to stage 3	**(16)**	**-**	**16**	**-**
– Write-offs	**-**	**-**	**507**	**507**
New financial assets originated or purchased	**217**	**-**	**-**	**217**
Payments received and financial assets derecognised	**-**	**-**	**(876)**	**(876)**
Unwind discount	**64**	**11**	**47**	**122**
Impact on ECL Transfers	**556**	**(91)**	**(240)**	**225**
Changes in models/risk parameters	**(839)**	**415**	**392**	**(32)**
Loss allowance as at 31 December 2020	**619**	**425**	**361**	**1,405**
Loss allowance as at 1 January 2019	153	23	59	235
Changes in the loss allowance				
– Transfer to stage 1	-	-	-	-
– Transfer to stage 2	(10)	10	-	-
– Transfer to stage 3	(18)	(22)	40	-
– Write-offs	-	-	(28)	(28)
New financial assets originated or purchased	68	11	50	129
Payments received and financial assets derecognised	-	-	-	-
Unwind discount	22	1	29	52
Impact on ECL Transfers	(99)	55	898	854
Changes in models/risk parameters	2	(1)	(1)	-
Loss allowance as at 31 December 2019	118	77	1,047	1,242

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Personal lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to personal lending is, as follows:

GROUP				In TZS' Million
Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2020	**1,564,254**	**11,806**	**26,593**	**1,602,653**
Changes in the gross carrying amount				
– Transfer to stage 1	**7,419**	**(4,652)**	**(2,767)**	**-**
– Transfer to stage 2	**(20,075)**	**21,025**	**(950)**	**-**
– Transfer to stage 3	**(22,868)**	**(3,454)**	**26,322**	**-**
New financial assets originated or purchased	**372,622**	**4,125**	**602**	**377,349**
Payments received and financial assets derecognised	**13,233**	**(5,349)**	**(5,993)**	**1,891**
Effects of modification	**-**	**-**	**-**	**-**
Accrued interest	**16,284**	**621**	**294**	**17,199**
Write-offs	**-**	**-**	**(16,295)**	**(16,295)**
Gross carrying amount as at 31 December 2020	**1,930,869**	**24,122**	**27,806**	**1,982,797**
Loss allowance as at 31 December 2020	**30,472**	**8,968**	**20,846**	**60,286**
Gross carrying amount as at 1 January 2019	1,390,524	12,392	27,602	1,430,518
Changes in the gross carrying amount				
– Transfer to stage 1	11,262	(6,270)	(4,992)	-
– Transfer to stage 2	(12,296)	12,832	(536)	-
– Transfer to stage 3	(17,979)	(3,518)	21,497	-
New financial assets originated or purchased	253,015	44	115	267,998
Payments received and financial assets derecognised	(74,005)	(3,257)	(4,177)	(81,439)
Accrued interest	14,316	387	4,272	18,974
Write-offs	(583)	(804)	(13,037)	(14,424)
Gross carrying amount as at 31 December 2019	1,564,254	11,806	26,593	1,602,653
Loss allowance as at 31 December 2019	27,259	3,528	18,751	49,538

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Personal lending (continued)

GROUP Loss allowances - Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Loss allowance as at 1 January 2020	**27,259**	**3,528**	**18,751**	**49,538**
Changes in the loss allowance				
– Transfer to stage 1	**2,897**	**(1,104)**	**(1,793)**	**-**
– Transfer to stage 2	**(541)**	**1,076**	**(535)**	**-**
– Transfer to stage 3	**(573)**	**(1,134)**	**1,707**	**-**
– Write-offs	**-**	**-**	**4,533**	**4,533**
New financial assets originated or purchased	**11,336**	**10**	**33**	**11,379**
Payments received and financial assets derecognised	**(4,359)**	**(2,524)**	**(13,795)**	**(20,678)**
Unwind discount	**3,573**	**171**	**940**	**4,684**
Impact on ECL Transfers	**20,320**	**(1,215)**	**(12,788)**	**6,317**
Changes in models/risk parameters	**(29,440)**	**10,160**	**23,793**	**4,513**
Loss allowance as at 31 December 2020	**30,472**	**8,968**	**20,846**	**60,286**
Loss allowance as at 1 January 2019	42,841	5,390	17,079	65,310
Changes in the loss allowance				
– Transfer to stage 1	6,002	(2,742)	(3,260)	-
– Transfer to stage 2	(497)	837	(340)	-
– Transfer to stage 3	(653)	(1,760)	2,413	-
– Write-offs	-	-	(7,279)	(7,279)
New financial assets originated or purchased	4,577	456	391	5,424
Payments received and financial assets derecognised	(63)	(371)	(6,711)	(7,145)
Unwind discount	6,406	139	1,247	7,792
Impact on ECL Transfers	(24,084)	1,954	9,559	(12,571)
Changes in models/risk parameters	(7,263)	(377)	5,647	(1,993)
Foreign exchange and other movements	(7)	2	5	-
Loss allowance as at 31 December 2019	27,259	3,528	18,751	49,538

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Corporate lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Corporate lending is, as follows:

BANK				In TZS' Million
Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2020	**1,159,951**	**86,118**	**133,102**	**1,379,171**
Changes in the gross carrying amount				
– Transfer to stage 1	**32,481**	**(26,654)**	**(5,827)**	**-**
– Transfer to stage 2	**(151,898)**	**159,675**	**(7,777)**	**-**
– Transfer to stage 3	**(44,007)**	**(8,016)**	**52,023**	**-**
New financial assets originated or purchased	**194,108**	**20,552**	**1,382**	**216,042**
Payments received and financial assets derecognised	**(30,992)**	**(21,403)**	**(6,897)**	**(59,292)**
Effects of modification	**(31,483)**	**5,645**	**-**	**(25,838)**
Accrued interest	**18,962**	**4,817**	**3,921**	**27,700**
Write-offs	**-**	**-**	**(60,225)**	**(60,225)**
Gross carrying amount as at 31 December 2020	**1,147,122**	**220,734**	**109,702**	**1,477,558**
Loss allowance as at 31 December 2020	**1,786**	**1,307**	**63,982**	**67,075**
Gross carrying amount as at 1 January 2019	1,161,788	36,194	152,773	1,350,755
Changes in the gross carrying amount				
– Transfer to stage 1	25,758	(23,421)	(2,337)	-
– Transfer to stage 2	(61,116)	70,716	(9,600)	-
– Transfer to stage 3	(17,481)	(1,899)	19,380	-
New financial assets originated or purchased	82,767	(548)	4,256	134,741
Payments received and financial assets derecognised	(58,181)	2,738	41,508	(13,935)
Accrued interest	30,038	2,667	1,561	30,521
Write-offs	(3,622)	(329)	(88,439)	(92,390)
Gross carrying amount as at 31 December 2019	1,159,951	86,118	133,102	1,379,171
Loss allowance as at 31 December 2019	16,972	6,270	71,706	94,948

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Corporate lending (continued)

BANK Loss allowances - Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	Total In TZS' Million
Loss allowance as at 1 January 2020	**16,972**	**6,270**	**71,706**	**94,948**
Changes in the loss allowance				
– Transfer to stage 1	**4,017**	**(3,938)**	**(79)**	**-**
– Transfer to stage 2	**(2,229)**	**2,668**	**(439)**	**-**
– Transfer to stage 3	**(2,079)**	**(936)**	**3,015**	**-**
– Write-offs	**-**	**-**	**50,640**	**50,640**
New financial assets originated or purchased	**7,772**	**-**	**-**	**7,772**
Payments received and financial assets derecognised	**(36,908)**		**(70,082)**	**(106,990)**
Unwind discount	**942**	**324**	**6,680**	**7,946**
Impact on ECL Transfers	**55,559**	**(3,341)**	**(29,707)**	**22,511**
Effects of modification	**(174)**	**(22)**	**-**	**(196)**
Changes in models/risk parameters	**(42,086**	**228**	**32,248**	**(9,556)**
Loss allowance as at 31 December 2020	**1,786**	**1,307**	**63,982**	**67,075**
Loss allowance as at 1 January 2020	11,366	163	88,678	100,207
Changes in the loss allowance				
– Transfer to stage 1	115	(33)	(82)	-
– Transfer to stage 2	(66)	905	(839)	-
– Transfer to stage 3	(425)	-	425	-
– Write-offs	-	-	(35,404)	(35,404)
New financial assets originated or purchased	718	-	85	803
Payments received and financial assets derecognised	(6,228)	-	(50,758)	(56,986)
Unwind discount	1,790	205	2,623	4,618
Impact on ECL Transfers	(1,894)	5,235	33,033	36,374
Changes in models/risk parameters	11,596	(205)	33,945	45,336
Loss allowance as at 31 December 2020	16,972	6,270	71,706	94,948

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

SME lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to SME lending is, as follows:

BANK				In TZS' Million
Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2020	**400,924**	**29,246**	**36,856**	**467,026**
Changes in the gross carrying amount				
- Transfer to stage 1	**11,977**	**(7,533)**	**(4,444)**	**-**
- Transfer to stage 2	**(49,925)**	**50,922**	**(997)**	**-**
- Transfer to stage 3	**(21,891)**	**(7,762)**	**29,653**	**-**
New financial assets originated or purchased	**86,344**	**1,655**	**934**	**88,933**
Payments received and financial assets derecognised	**(65,346)**	**(120)**	**(4,572)**	**(70,038)**
Effects of modification	**-**	**-**	**-**	**-**
Accrued interest	**7,166**	**2,672**	**528**	**10,366**
Write-offs	**-**	**-**	**(22,630)**	**(22,630)**
Gross carrying amount as at 31 December 2020	**369,249**	**69,080**	**35,328**	**473,657**
Loss allowance as at 31 December 2020	**3,816**	**1,571**	**9,552**	**14,939**
Gross carrying amount as at 1 January 2019	373,613	12,486	28,115	414,214
Changes in the gross carrying amount				
- Transfer to stage 1	6,930	(2,448)	(4,482)	-
- Transfer to stage 2	(26,016)	28,507	(2,491)	-
- Transfer to stage 3	(17,201)	(6,102)	23,303	-
New financial assets originated or purchased	92,487	319	576	93,382
Payments received and financial assets derecognised	(34,125)	(4,230)	(3,008)	(41,363)
Accrued interest	6,135	1,142	402	7,679
Write-offs	(899)	(428)	(5,559)	(6,886)
Gross carrying amount as at 31 December 2019	400,924	29,246	36,856	467,026
Loss allowance as at 31 December 2019	1,578	825	10,191	12,594

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

SME lending (continued)

BANK Loss allowances - Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Loss allowance as at 1 January 2020	**1,578**	**825**	**10,191**	**12,594**
Changes in the loss allowance				
- Transfer to stage 1	**1,357**	**(289)**	**(1,068)**	**-**
- Transfer to stage 2	**(354)**	**399**	**(45)**	**-**
- Transfer to stage 3	**(167)**	**(199)**	**366**	**-**
- Write-offs	**-**	**-**	**7,966**	**7,966**
New financial assets originated or purchased	**2,163**	**7**	**1**	**2,171**
Payments received and financial assets derecognised	**(4,426)**	**(4,018)**	**(22,152)**	**(30,596)**
Unwind discount	**150**	**112**	**398**	**660**
Impact on ECL Transfers	**10,530**	**(667)**	**(2,465)**	**7,398**
Changes in models/risk parameters	**(7,015)**	**5,401**	**16,360**	**14,746**
Loss allowance as at 31 December 2020	**3,816**	**1,571**	**9,552**	**14,939**
Loss allowance as at 1 January 2019	3,187	919	3,527	7,633
Changes in the loss allowance				
- Transfer to stage 1	556	(108)	(448)	-
- Transfer to stage 2	(567)	871	(304)	-
- Transfer to stage 3	(287)	(614)	901	-
- Write-offs	-	-	(2,567)	(2,567)
New financial assets originated or purchased	462	46	535	1,043
Payments received and financial assets derecognised	(76)	(143)	(4,101)	(4,320)
Unwind discount	444	153	463	1,060
Impact on ECL Transfers	(2,185)	(145)	5,621	3,291
Changes in models/risk parameters	44	(154)	6,564	6,454
Loss allowance as at 31 December 2019	1,578	825	10,191	12,594

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Microfinance lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Microfinance lending is, as follows:

BANK				In TZS' Million
Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2020	**32,794**	**298**	**162**	**33,254**
Changes in the gross carrying amount				
- Transfer to stage 1	**30**	**(22)**	**(8)**	**-**
- Transfer to stage 2	**(1,093)**	**1,126**	**(33)**	**-**
- Transfer to stage 3	**(1,195)**	**(153)**	**1,348**	**-**
New financial assets originated or purchased	**41,486**	**835**	**305**	**42,626**
Payments received and financial assets derecognised	**(1,484)**	**(144)**	**(272)**	**(1,900)**
Effects of modification	**-**	**-**	**-**	**-**
Accrued interest	**733**	**97**	**117**	**947**
Write-offs	**-**	**-**	**(95)**	**(95)**
Gross carrying amount as at 31 December 2020	**71,271**	**2,037**	**1,524**	**74,832**
Loss allowance as at 31 December 2020	**1,954**	**4**	**388**	**2,346**
Gross carrying amount as at 1 January 2019	47,230	1,366	12,489	61,085
Changes in the gross carrying amount				
- Transfer to stage 1	415	(10)	(405)	-
- Transfer to stage 2	(1,842)	1,842	-	-
- Transfer to stage 3	(685)	(1,265)	1,950	-
New financial assets originated or purchased	19,105	210	58	19,373
Payments received and financial assets derecognised	(31,673)	(1,859)	(3,089)	(36,621)
Accrued interest	244	14	38	296
Write-offs	-	-	(10,879)	(10,879)
Gross carrying amount as at 31 December 2019	32,794	298	162	33,254
Loss allowance as at 31 December 2019	258	2	5	265

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Microfinance lending (continued)

BANK Loss allowances - Loans and advances to customers at amortised cost	In TZS' Million Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2020	**258**	**2**	**5**	**265**
Changes in the loss allowance				
– Transfer to stage 1	**4**	**(3)**	**(1)**	**-**
– Transfer to stage 2	**(1)**	**6**	**(5)**	**-**
– Transfer to stage 3	**(3)**	**(1)**	**4**	**-**
– Write-offs	**-**	**-**	**54**	**54**
New financial assets originated or purchased	**1,314**	**4**	**2**	**1,320**
Payments received and financial assets derecognised	**(19)**	**(36)**	**(94)**	**(149)**
Unwind discount	**4**	**-**	**1**	**5**
Impact on ECL Transfers	**758**	**(3)**	**(5)**	**750**
Changes in models/risk parameters	**(361)**	**35**	**427**	**101**
Loss allowance as at 31 December 2020	**1,954**	**4**	**388**	**2,346**
Loss allowance as at 1 January 2019	1,354	267	11,534	13,155
Changes in the loss allowance				
– Transfer to stage 1	256	-	(256)	-
– Transfer to stage 2	(42)	42	-	-
– Transfer to stage 3	(5)	(266)	271	-
New financial assets originated or purchased	-	-	(313)	(313)
Payments received and financial assets derecognised	24	-	-	24
Unwind discount	-	-	(10,566)	(10,566)
Impact on ECL Transfers	128	5	96	229
Changes in models/risk parameters	(329)	1	8	(320)
Foreign exchange and other movements	(1,128)	(47)	(769)	(1,944)
Loss allowance as at 31 December 2019	258	2	5	265

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Mortgage lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to mortgage lending is, as follows:

BANK				In TZS' Million
Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2020	**31,141**	**1,427**	**3,651**	**36,219**
Changes in the gross carrying amount				
- Transfer to stage 1	**1,886**	**(721)**	**(1,165)**	**-**
- Transfer to stage 2	**(6,425)**	**6,672**	**(247)**	**-**
- Transfer to stage 3	**(2,468)**	**(276)**	**2,744**	**-**
New financial assets originated or purchased	**7,611**	**432**	**-**	**8,043**
Payments received and financial assets derecognised	**235**	**150**	**(416)**	**(31)**
Effects of modification	**-**	**-**	**-**	**-**
Accrued interest	**387**	**198**	**-**	**585**
Write-offs	**-**	**-**	**(369)**	**(369)**
Gross carrying amount as at 31 December 2020	**32,367**	**7,882**	**4,198**	**44,447**
Loss allowance as at 31 December 2020	**619**	**425**	**361**	**1,405**
Gross carrying amount as at 1 January 2019	39,047	924	630	40,601
Changes in the gross carrying amount				
- Transfer to stage 1	84	(84)	-	-
- Transfer to stage 2	(1,432)	1,432	-	-
- Transfer to stage 3	(2,351)	(834)	3,185	-
New financial assets originated or purchased	4,309	59	65	4,433
Payments received and financial assets derecognised	(8,859)	(104)	(286)	(9,249)
Accrued interest	367	34	62	463
Write-offs	(24)	-	(5)	(29)
Gross carrying amount as at 31 December 2019	31,141	1,427	3,651	36,219
Loss allowance as at 31 December 2019	118	77	1,047	1,242

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Mortgage lending (continued)

BANK Loss allowances - Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	Total In TZS' Million
Loss allowance as at 1 January 2020	**118**	**77**	**1,047**	**1,242**
Changes in the loss allowance				
- Transfer to stage 1	**560**	**(60)**	**(500)**	**-**
- Transfer to stage 2	**(41)**	**73**	**(32)**	**-**
- Transfer to stage 3	**(16)**	**-**	**16**	**-**
- Write-offs	**-**	**-**	**507**	**507**
New financial assets originated or purchased	**217**	**-**	**-**	**217**
Payments received and financial assets derecognised	**-**	**-**	**(876)**	**(876)**
Unwind discount	**64**	**11**	**47**	**122**
Impact on ECL Transfers	**556**	**(91)**	**(240)**	**225**
Changes in models/risk parameters	**(839)**	**415**	**392**	**(32)**
Loss allowance as at 31 December 2020	**619**	**425**	**361**	**1,405**
Loss allowance as at 1 January 2019	153	22	59	234
Changes in the loss allowance				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	(10)	10	-	-
- Transfer to stage 3	(19)	(22)	41	-
- Write-offs	-	-	(28)	(28)
New financial assets originated or purchased	42	-	61	103
Payments received and financial assets derecognised	-	-	-	-
Unwind discount	22	1	29	52
Impact on ECL Transfers	(72)	67	886	881
Changes in models/risk parameters	2	(1)	(1)	-
Loss allowance as at 31 December 2019	118	77	1,047	1,242

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Personal lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to personal lending is, as follows:

BANK				In TZS' Million
Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2020	**1,530,836**	**11,806**	**25,936**	**1,568,578**
Changes in the gross carrying amount				
- Transfer to stage 1	**6,380**	**(3,922)**	**(2,458)**	**-**
- Transfer to stage 2	**(19,530)**	**20,427**	**(897)**	**-**
- Transfer to stage 3	**(22,478)**	**(3,416)**	**25,894**	**-**
New financial assets originated or purchased	**348,866**	**4,062**	**559**	**353,487**
Payments received and financial assets derecognised	**15,813**	**(5,186)**	**(5,990)**	**4,637**
Effects of modification	**-**	**-**	**-**	**-**
Accrued interest	**16,284**	**621**	**320**	**17,225**
Write-offs	**-**	**-**	**(16,126)**	**(16,126)**
Gross carrying amount as at 31 December 2020	**1,876,171**	**24,392**	**27,238**	**1,927,801**
Loss allowance as at 31 December 2020	**30,556**	**8,972**	**20,844**	**60,372**
Gross carrying amount as at 1 January 2019	1,342,033	11,869	27,412	1,381,314
Changes in the gross carrying amount				
- Transfer to stage 1	11,005	(6,050)	(4,955)	-
- Transfer to stage 2	(11,295)	11,832	(537)	-
- Transfer to stage 3	(16,954)	(3,490)	20,444	-
New financial assets originated or purchased	247,658	1,086	515	249,259
Payments received and financial assets derecognised	(55,096)	(3,004)	(4,120)	(62,220)
Accrued interest	14,068	367	214	14,649
Write-offs	(583)	(804)	(13,037)	(14,424)
Gross carrying amount as at 31 December 2019	1,530,836	11,806	25,936	1,568,578
Loss allowance as at 31 December 2019	27,332	3,527	18,727	49,586

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Personal lending (continued)

BANK **Loss allowances - Loans and advances to customers at amortised cost**	**Stage 1**	**Stage 2**	**Stage 3**	In TZS' Million **Total**
Loss allowance as at 1 January 2020	**27,332**	**3,527**	**18,727**	**49,586**
Changes in the loss allowance				
– Transfer to stage 1	**2,876**	**(1,101)**	**(1,775)**	**-**
– Transfer to stage 2	**(541)**	**1,073**	**(532)**	**-**
– Transfer to stage 3	**(573)**	**(1,134)**	**1,707**	**-**
– Write-offs	**-**	**-**	**4,548**	**4,548**
New financial assets originated or purchased	**11,337**	**11**	**32**	**11,380**
Payments received and financial assets derecognised	**(4,358)**	**(2,524)**	**(13,792)**	**(20,674)**
Unwind discount	**3,570**	**171**	**940**	**4,681**
Impact on ECL Transfers	**20,351**	**(1,212)**	**(12,788)**	**6,351**
Changes in models/risk parameters	**(29,438)**	**10,161**	**23,777**	**4,500**
Loss allowance as at 31 December 2020	**30,556**	**8,972**	**20,844**	**60,372**
Loss allowance as at 1 January 2019	42,764	5,381	17,051	65,196
Changes in the loss allowance				
– Transfer to stage 1	5,993	(2,738)	(3,255)	-
– Transfer to stage 2	(495)	836	(341)	-
– Transfer to stage 3	(652)	(1,760)	2,412	-
– Write-offs	-	-	(7,298)	(7,298)
New financial assets originated or purchased	4,657	458	424	5,539
Payments received and financial assets derecognised	(34)	(368)	(6,724)	(7,126)
Unwind discount	6,397	139	1,243	7,779
Impact on ECL Transfers	(24,044)	1,956	9,526	(12,562)
Changes in models/risk parameters	(7,254)	(377)	5,689	(1,942)
Foreign exchange and other movements	5,993	(2,738)	(3,255)	-
Loss allowance as at 31 December 2019	27,332	3,527	18,727	49,586

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.4 Liquidity risk and funding management

Liquidity risk is the risk that the Group 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 failure to meet obligations to repay depositors and fulfil commitments to lend.

10.4.1 Liquidity risk management process

The Group's and Bank's liquidity management process, as carried out within the Group and Bank and monitored by the Asset and Liability Committee (ALCO) of the individual banks include:

- 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 Group and Bank maintain 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 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 (Note 10.4.5).

10.4.2 Liquidity ratios

Liquidity ratio	In TZS' Million	
	GROUP AND BANK	
	2020	2019
Year-end	**25.48%**	31.00%
Maximum	**25.48%**	30.00%
Minimum	**20.26%**	24.03%
Average	**22.73%**	26.05%

The COVID-19 pandemic had no significant impact to the Group liquidity as at 31 December 2020 the liquidity ratio stood at 25.5% higher than the required regulatory ratio of 20%.

Advances to deposit ratios	In TZS' Million	
	GROUP AND BANK	
	2020	2019
Year-end	**75.10%**	68.06%
Maximum	**81.95%**	81.40%
Minimum	**72.10%**	71.60%
Average	**77.03%**	76.50%

The Group stresses the importance of current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of core customer current accounts and savings accounts, together with term funding with a remaining term to maturity in excess of one year. Loans to customers that are part of reverse repurchase arrangements, and where the Bank receives securities which are deemed to be liquid, are excluded from the advances to deposits ratio.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.4 Liquidity risk and funding management (continued)

10.4.3 Funding approach

The Group's and Bank's major source of funding is customer deposits. To this end, the Group and Bank maintain a diversified and stable funding base comprising current/demand, savings and time deposits. The Group places considerable importance on the stability of these deposits, which is achieved through the Group's retail banking activities and by maintaining depositor confidence in the Group's business strategies and financial strength.

The Group borrows from the interbank market through transactions with other banks for short term liquidity requirements. As part of the contingency funding plan, the Group has funding lines with both local and foreign banks for short term funding requirements.

10.4.4 Stress Testing

In accordance with the Group's policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. Additionally stress testing is performed for a combination of both the market and specific stress factors relating to the Bank. Liquidity mismatch reporting and stress testing results are reported regularly and reviewed by the Asset and Liability Committee (ALCO), Executive Committee and Board Risk Committee.

10.4.5 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group and Bank's financial assets and the undiscounted cash flows of its financial liabilities as at 31 December, as the Group and Bank manage the inherent liquidity risk based on expected undiscounted cash flows.

				In TZS' Million
GROUP **31 December 2020**	**Up to 3 months**	**3 - 12 months**	**Over 1 year**	**Total**
Financial Assets				
Cash and balances with Central bank	652,918	-	-	652,918
Debt instruments at amortized cost	26,756	186,039	783,029	995,824
Debt instruments at FVOCI	17,153	-	483,852	501,005
Financial assets at FVPL	-	-	5,572	5,572
Loans and advances to banks	361,902	-	-	361,902
Loans and advances to customers (Gross)	324,849	602,310	6,012,106	6,939,265
Credit cards	529	-	-	529
Other assets*	94,788	-	-	94,788
Total undiscounted financial assets	1,478,895	788,349	7,284,559	9,551,803
Financial Liabilities				
Deposits from banks	296,331	-	-	296,331
Deposits from customers	5,027,574	369,963	56,853	5,454,390
Borrowings	52,401	106,899	78,754	238,054
Subordinated debt	2,407	30,000	-	32,407
Lease liabilities	666	1,430	27,522	29,618
Other liabilities**	84,941	-	-	84,941
Total undiscounted financial liabilities	5,464,320	508,292	163,129	6,135,741
Net undiscounted financial assets/(liabilities)	(3,985,425)	280,057	7,121,430	3,416,062

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

**Other liabilities (excludes deferred income as they are not financial liabilities).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.4 Liquidity risk and funding management (continued)

10.4.5 Analysis of financial assets and liabilities by remaining contractual maturities (continued)

GROUP 31 December 2019	Up to 3 months	3 - 12 months	Over 1 year	In TZS' Million Total
Financial Assets				
Cash and balances with Central bank	764,015	-	-	764,015
Debt instruments at amortized cost	48,502	217,697	689,499	955,698
Debt instruments at FVOCI	-	8	461,658	461,665
Loans and advances to banks	323,679	-	-	323,679
Loans and advances to customers (Gross)	353,548	1,090,960	4,532,085	5,976,593
Credit cards	1,312	-	-	1,312
Other assets*	97,840	-	-	97,840
Total undiscounted financial assets	1,588,896	1,308,665	5,683,242	8,580,803
Financial Liabilities				
Deposits from banks	25,195	-	-	25,195
Deposits from customers	4,786,509	392,719	42,641	5,221,869
Borrowings	6,004	27,000	264,088	297,092
Subordinated debt	2,400	-	30,000	32,400
Lease liabilities	2,341	7,023	30,414	39,778
Other liabilities**	93,071	-	-	93,071
Total undiscounted financial liabilities	4,915,520	426,742	367,143	5,709,405
Net undiscounted financial assets/(liabilities)	(3,326,624)	881,923	5,316,099	2,871,398

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

**Other liabilities (excludes deferred income as they are not financial liabilities).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.4 Liquidity risk and funding management (continued)

10.4.5 Analysis of financial assets and liabilities by remaining contractual maturities (continued)

In TZS' Million

BANK 31 December 2020	Up to 3 months	3 - 12 months	Over 1 year	Total
Financial Assets				
Cash and balances with Central bank	633,209	-	-	633,209
Debt instruments at amortized cost	24,117	186,039	633,160	843,316
Debt instruments at FVOCI	17,153	-	483,852	501,005
Loans and advances to banks	370,363	-	11,844	382,207
Loans and advances to customers (Gross)	228,916	598,018	5,921,311	6,748,245
Credit cards	529	-	-	529
Other assets*	96,494	-	-	96,494
Total undiscounted financial assets	1,370,781	784,057	7,050,167	9,205,005
Financial Liabilities				
Deposits from banks	295,984	-	-	295,984
Deposits from customers	4,827,072	369,962	56,853	5,253,887
Borrowings	52,401	106,899	78,754	238,054
Subordinated debt	2,407	30,000	-	32,407
Lease liabilities	503	1,254	26,931	28,688
Other liabilities**	83,989	-	-	83,989
Total undiscounted financial liabilities	5,262,356	508,115	162,538	5,933,009
Net undiscounted financial assets/(liabilities)	(3,891,575)	275,942	6,887,629	3,271,996

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

**Other liabilities (excludes deferred income as they are not financial liabilities).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.4 Liquidity risk and funding management (continued)

10.4.5 Analysis of financial assets and liabilities by remaining contractual maturities (continued)

GROUP 31 December 2019	Up to 3 months	3 - 12 months	Over 1 year	In TZS' Million Total
Financial Assets				
Cash and balances with Central bank	753,462	-	-	753,462
Debt instruments at amortized cost	46,314	189,127	588,806	824,247
Debt instruments at FVOCI	-	8	461,658	461,665
Loans and advances to banks	324,548	-	22,228	346,776
Loans and advances to customers (Gross)	351,970	1,078,877	4,449,642	5,880,489
Credit cards	1,312	-	-	1,312
Other assets*	98,473	-	-	98,473
Total undiscounted financial assets	1,576,079	1,268,012	5,522,334	8,366,425
Financial Liabilities				
Deposits from banks	6,499	-	-	6,499
Deposits from customers	4,670,047	376,498	41,417	5,087,962
Borrowings	6,004	27,000	264,088	297,092
Subordinated debt	2,400	-	30,000	32,400
Lease liabilities	2,296	6,888	29,719	38,903
Other liabilities**	93,213	-	-	93,213
Total undiscounted financial liabilities	4,780,459	410,386	365,224	5,556,069
Net undiscounted financial assets/(liabilities)	(3,204,380)	857,626	5,157,110	2,810,356

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

**Other liabilities (excludes deferred income as they are not financial liabilities).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.4 Liquidity risk and funding management (continued)

10.4.5 Analysis of financial assets and liabilities by remaining contractual maturities (continued)

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, central Bank balances, items in the course of collection and treasury and other eligible bills; Loans and advances to banks; and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The Group would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

The tables below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. Capital commitments relate to the acquisition of property and equipment.

GROUP				In TZS' Million
31 December 2020	**No later than 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
Outstanding letters of credit	**-**	**136,181**	**649**	**136,830**
Guarantees and indemnities	**916,455**	**305,871**	**1,174**	**1,223,500**
Commitments to extend credit	**209,180**	**-**	**-**	**209,180**
Capital commitments	**10,288**	**-**	**-**	**10,288**
Total commitments and guarantees	**1,135,923**	**442,052**	**1,823**	**1,579,798**
31 December 2019				
Outstanding letters of credit	187,598	-	-	187,598
Guarantees and indemnities	959,389	259,237	60	1,218,686
Commitments to extend credit	164,623	-	-	164,623
Capital commitments	17,783	-	-	17,783
Total commitments and guarantees	1,329,393	259,237	60	1,588,690

BANK				In TZS' Million
31 December 2020	**No later than 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
Outstanding letters of credit	**-**	**135,532**	**-**	**135,532**
Guarantees and indemnities	**916,081**	**305,131**	**60**	**1,221,272**
Commitments to extend credit	**203,652**	**-**	**-**	**203,652**
Capital commitments	**10,288**	**-**	**-**	**10,288**
Total commitments and guarantees	**1,130,021**	**440,663**	**60**	**1,570,744**
31 December 2019				
Outstanding letters of credit	187,598	-	-	187,598
Financial guarantees and indemnities	959,060	259,237	60	1,218,357
Commitments to extend credit	160,798	-	-	160,798
Capital commitments	17,783	-	-	17,783
Total commitments and guarantees	1,325,239	259,237	60	1,584,536

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.5 Market risk

Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios.

The Group and the Bank take 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.

The market risks are concentrated in Bank Treasury and monitored by the Risk and Compliance department separately. Regular reports are submitted to the Board of Directors and Management.Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market. Non-trading portfolios primarily arise from the interest rate management of the Group's retail and commercial Banking assets and liabilities, and debt instrument at fair value through OCI.

Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The Bank Risk and Compliance department is responsible for the development of detailed risk management policies while Treasury is responsible for day-to-day implementation of those policies.

The Bank applies interest rate gap coupled with Earning at Risk and stress testing analysis in measuring exposure to market risk for the purpose of managing and controlling market risk exposures within acceptable limits while optimising the return on investment.

10.5.1 Foreign exchange risk

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

Currency sensitivity analysis

With all other variables held constant, a shift in foreign exchange rate by 4% on foreign denominated assets and liabilities would have resulted in lower or higher profit after tax as follows:

				In TZS' Million
	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
USD	**3,629**	1,178	**4,969**	2,051
EURO	**103**	(64)	**94**	(56)
GBP	**49**	(11)	**48**	(8)
BIF	**(67)**	2	**1**	2
Other	**(55)**	327	**(145)**	318

If the exchange rate for the BIF were to shift by 4%, then the impact on the translation reserve in relation to the translation of CRDB Bank Burundi SA for consolidation purposes would be TZS 1,957 million(2019: TZS 2,127 million)

The Bank's strategy is to monitor positions on a daily basis to ensure it manages itself against currency risk. Positions are maintained within established limits by balancing the assets and liabilities in the relevant currencies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.5 Market risk (continued)

10.5.1 Foreign exchange risk (continued)

The below tables show the concentrations of foreign currency risk financial assets and liabilities.

GROUP							In TZS' Million
As at 31 December 2020	**TZS**	**USD**	**EURO**	**GBP**	**BIF**	**Others**	**Total**
Financial Assets							
Cash and balances with Central bank	548,805	91,013	8,895	1,476	-	2,729	652,918
Loans and advances to banks	127,841	173,420	47,816	6,568	-	6,257	361,902
Loans and advances to customers (Gross)	3,215,914	853,526	6,164	-	-	-	4,075,604
Debt instruments at amortized cost	995,824	-	-	-	-	-	995,824
Debt instruments at FVOCI	501,005	-	-	-	-	-	501,005
Financial assets at FVPL	5,572	-	-	-	-	-	5,572
Equity investments at FVOCI	8,623	-	-	-	-	-	8,623
Equity investments at FVPL	2,555	-	-	-	-	-	2,555
Credit cards	529	-	-	-	-	-	529
Other assets*	93,380	-	-	-	-	-	94,788
Total financial assets	**5,498,935**	**1,120,480**	**62,875**	**8,044**	**-**	**8,986**	**6,699,320**
Financial Liabilities							
Deposits from customers	4,608,599	749,710	59,967	6,809	-	9,562	5,434,647
Deposits from Banks	79,427	215,654	323	-	-	808	296,212
Lease liabilities	28,710	-	-	-	908		29,618
Other liabilities**	82,061	2,115	6	1	758	-	84,941
Borrowings	175,769	62,285	-	-	-	-	238,054
Subordinated debt	32,407	-	-	-	-	-	32,407
Total financial liabilities	**5,006,973**	**1,029,764**	**60,296**	**6,810**	**1,666**	**10,370**	**6,115,879**
Net on-balance sheet financial position	**491,962**	**90,716**	**2,579**	**1,234**	**(1,666)**	**(1,384)**	**583,441**
Off-balance sheet commitments	**430,272**	**886,073**	**38,708**	**-**	**-**	**214,457**	**1,569,510**

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

**Other liabilities (excludes deferred income as they are not financial liabilities).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.5 Market risk (continued)

10.5.1 Foreign exchange risk (continued)

GROUP As at 31 December 2019	TZS	USD	EURO	GBP	BIF	Others	In TZS' Million Total
Financial Assets							
Cash and balances with Central bank	651,796	105,068	4,781	1,212	-	1,158	764,015
Loans and advances to banks	127,566	127,137	59,795	3,360	148	5,671	323,677
Loans and advances to customers (Gross)	2,787,302	746,973	3	-	-	6,817	3,541,095
Debt instruments at amortized cost	955,698	-	-	-	-	-	955,698
Debt instruments at FVOCI	461,665	-	-	-	-	-	461,665
Equity investments at FVOCI	5,095	-	-	-	-	-	5,095
Equity investments at FVPL	3,040	-	-	-	-	-	3,040
Credit cards	1,312	-	-	-	-	-	1,312
Other assets*	96,332	1,508	-	-	-	-	97,840
Total financial assets	5,089,806	980,686	64,579	4,572	148	13,646	6,153,437
Financial Liabilities							
Deposits from customers	4,359,442	766,750	65,735	4,773	116	5,431	5,202,247
Deposits from Banks	20,273	4,357	448	81	-	36	25,195
Lease liabilities	38,903	-	-	-	875	-	39,778
Other liabilities**	88,998	3,976	1	-	96	-	93,071
Borrowings	120,944	176,148	-	-	-	-	297,092
Subordinated debt	32,400	-	-	-	-	-	32,400
Total financial liabilities	4,660,960	951,231	66,184	4,854	1,087	5,467	5,689,783
Net on-balance sheet financial position	428,846	29,455	(1,605)	(282)	(939)	8,179	463,654
Off-balance sheet commitments	407,099	913,348	6,534	-	4,154	239,772	1,570,907

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

**Other liabilities (excludes deferred income as they are not financial liabilities).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.5 Market risk (continued)

10.5.1 Foreign exchange risk (continued)

BANK As at 31 December 2020	TZS	USD	EURO	GBP	BIF	Others	In TZS' Million Total
Financial Assets							
Cash and balances with Central bank	534,817	87,006	8,638	1,450	-	1,298	633,209
Loans and advances to banks	127,342	195,793	47,839	6,568	14	4,651	382,207
Loans and advances to customers (Gross)	3,138,605	853,526	6,164	-	-	-	3,998,295
Debt instruments at amortized cost	843,316	-	-	-	-	-	843,316
Debt instruments at FVOCI	501,005	-	-	-	-	-	501,005
Equity investment at FVOCI	8,488	-	-	-	-	-	8,488
Equity investment at FVPL	2,555	-	-	-	-	-	2,555
Credit cards	529	-	-	-	-	-	529
Other assets	93,973	2,521	-	-	-	-	96,494
Total financial assets	5,250,630	1,138,846	62,641	8,018	14	5,949	6,466,098
Financial Liabilities							
Deposits from customers	4,422,574	735,235	59,967	6,808	-	9,561	5,234,145
Deposits from banks	80,007	215,654	323	-	-	-	295,984
Lease liabilities	28,688	-	-	-	-	-	28,688
Other liabilities	82,526	1,456	6	1	-	-	83,989
Borrowings	238,054	-	-	-	-	-	238,054
Subordinated debt	32,407	-	-	-	-	-	32,407
Total financial liabilities	4,884,256	952,345	60,296	6,809	-	9,561	5,913,267
Net on-balance sheet financial position	366,374	186,501	2,345	1,209	14	(3,612)	552,831
Off-balance sheet commitments	430,272	886,073	38,708	-	-	205,403	1,560,456

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

**Other liabilities (excludes deferred income as they are not financial liabilities).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.5 Market risk (continued)

10.5.1 Foreign exchange risk (continued)

BANK As at 31 December 2019	TZS	USD	EURO	GBP	BIF	Others	In TZS' Million Total
Financial Assets							
Cash and balances with Central bank	646,333	100,345	4,514	1,112	-	1,158	753,462
Loans and advances to banks	131,590	146,804	59,352	3,441	148	5,441	346,776
Loans and advances to customers (Gross)	2,734,998	742,430	3	-	-	6,817	3,484,248
Debt instruments at amortized cost	819,727	-	-	-	-	-	819,727
Debt instruments at FVOCI	461,665	-	-	-	-	-	461,665
Equity investment at FVOCI	4,973	-	-	-	-	-	4,973
Equity investment at FVPL	3,040	-	-	-	-	-	3,040
Credit cards	1,312	-	-	-	-	-	1,312
Other assets*	96,965	1,508	-	-	-	-	98,473
Total financial assets	4,900,603	991,087	63,869	4,553	148	13,416	5,973,676
Financial Liabilities							
Deposits from customers	4,238,394	755,334	64,809	4,759	116	5,431	5,068,843
Deposits from banks	1,659	4,356	448	-	-	36	6,498
Lease liabilities	38,903	-	-	-	-	-	38,903
Other liabilities**	89,141	3,977	1	-	94	-	93,213
Borrowings	120,944	176,148	-	-	-	-	297,092
Subordinated debt	32,400	-	-	-	-	-	32,400
Total financial liabilities	4,521,441	939,815	65,258	4,759	210	5,467	5,536,950
Net on-balance sheet financial position	379,162	51,272	(1,389)	(206)	(62)	7,949	436,726
Off-balance sheet commitments	407,099	913,348	6,534	-	-	239,772	1,566,753

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

**Other liabilities (excludes deferred income as they are not financial liabilities).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.5 Market risk (continued)

10.5.2 Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. The Group and the Bank is exposed to equity securities price risk as it currently holds 327,632 shares invested in DSE amounting to TZS 288 million (2019: TZS 321 million).

Financial assets exposed to price risk are presented on the statement of financial position as equity instrument at fair value through Other Comprehensive Income (OCI). If the market price of instrument (had increased/decreased by 2% with all other variables held constant, the fair value reserve in equity instrument would have increased/ decreased as a result of gains or losses on equity instrument classified as equity instrument at FVOCI by TZS 42 million as at 31 December 2020 (2019: TZS 39 million) for the Group and Bank.

The impact of COVID-19 has insignificant impact in prices which do not affect the fair value of financial assets both directly for those traded in an active market and indirectly for those where a valuation technique used with market inputs.

10.5.3 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 fair value of a financial instrument will fluctuate because of changes in market interest rates. The Group and Bank take on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may produce losses in the event that unexpected movements arise.

The Group's Asset and Liability Committee (''ALCO'') sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is regularly monitored by an independent Risk and Compliance department and reported regularly to ALCO and the Board. The interest rate gap is within internal limits.

Gap analysis

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the Bank's business strategies. Interest rate monitoring is done through the Group's Asset and Liability Committee.

The Bank utilises gap analysis for measuring and managing interest rate risk. A positive gap indicates that the Bank has more interest rate sensitive assets than interest rate sensitive liabilities. A positive or asset sensitive gap means that an increase in market interest rates could cause an increase in the net interest margin and vice versa. Conversely, a negative or liability sensitive gap implies that the Bank's net interest margin could decline as a result of increase in market rates and vice versa.

With all other variables held constant, if the interest rates prevailing during the year shifted by 500 basis points on all Group's and Bank's interest bearing assets and liabilities, profit before tax would be lower or higher by TZS 17,401 million (2019: TZS 18,203 million) and TZS 18,239 million (2019: TZS 19,254 million) respectively.

The following tables provides an analysis of the Bank's interest rate risk exposure on non–trading financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.5 Market risk (continued)

10.5.3 Interest rate risk (continued)

GROUP					In TZS' Million
As at 31 December 2020	Up to 3 months	3 - 12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and balances with Central bank	-	-	-	652,918	652,918
Debt instruments at amortized cost	26,756	186,039	783,029	-	995,824
Debt instruments at FVOCI	17,154	-	483,851	-	501,005
Financial Assets FVPL	5,572	-	-	-	5,572
Loans and advances to banks	361,902	-	-	-	361,902
Loans and advances to customers (Gross)	229,870	556,327	3,289,407	-	4,075,604
Credit cards	529	-	-	-	529
Other assets*	-	-	-	94,788	94,788
Total financial assets	641,783	742,366	4,556,287	747,706	6,688,142
Liabilities					
Deposits from banks	296,212	-	-	-	296,212
Deposits from customers	4,944,251	391,712	42,601	56,083	5,434,647
Borrowings	52,402	106,899	78,753	-	238,054
Subordinated debt	2,407	30,000	-	-	32,407
Lease liabilities	666	1,430	27,522	-	29,618
Other liabilities**	-	-	-	84,941	84,941
Total financial liabilities	5,295,938	530,041	148,876	141,024	6,115,879
Total interest gap	(4,654,155)	212,325	4,407,411		

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income as they are not financial liabilities).

All financial instruments are at fixed interest rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.5 Market risk (continued)

10.5.3 Interest rate risk (continued)

GROUP					In TZS' Million
As at 31 December 2019	Up to 3 months	3 - 12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and balances with Central bank	-	-	-	764,015	764,015
Debt instruments at amortized cost	48,502	217,697	689,498	-	955,698
Debt instruments at FVOCI	-	7	461,658	-	461,665
Loans and advances to banks	309,807	-	-	13,870	323,677
Loans and advances to customers (Gross)	209,475	646,387	2,685,233	-	3,541,095
Credit cards	1,312	-	-	-	1,312
Other assets*	-	-	-	97,840	97,840
Total financial assets	569,096	864,091	3,836,389	875,725	6,145,302
Liabilities					
Deposits from banks	25,195	-	-	-	25,195
Deposits from customers	4,724,170	391,243	42,481	44,353	5,202,247
Borrowings	6,004	27,000	264,088	-	297,092
Subordinated debt	2,400	-	30,000	-	32,400
Lease liabilities	2,341	7,023	30,414	-	39,778
Other liabilities**	-	-	-	93,071	93,071
Total financial liabilities	4,760,110	425,266	366,983	137,424	5,689,783
Total interest gap	(4,191,014)	438,825	3,469,406		

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

**Other liabilities (excludes deferred income as they are not financial liabilities).

All financial instruments are at fixed interest rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.5 Market risk (continued)

10.5.3 Interest rate risk (continued)

BANK					In TZS' Million
As at 31 December 2020	**Up to 3 months**	**3 - 12 months**	**Over 1 year**	**Non-interest bearing**	**Total**
Assets					
Cash and balances with Central bank	-	-	-	633,209	633,209
Debt instruments at amortized cost	26,756	183,399	633,161	-	843,316
Debt instruments at FVOCI	17,154	-	483,851	-	501,005
Loans and advances to banks	370,363	-	11,844	-	382,207
Loans and advances to customers (Gross)	229,870	556,327	3,212,098	-	3,998,295
Credit cards	529	-	-	-	529
Other assets*	-	-	-	96,494	96,494
Total financial assets	644,672	739,726	4,340,954	729,703	6,455,055
Liabilities					
Deposits from banks	295,984	-	-	-	295,984
Deposits from customers	4,771,295	364,310	42,457	56,083	5,234,145
Borrowings	52,582	106,899	78,573	-	238,054
Subordinated debt	2,407	30,000		-	32,407
Lease liabilities	503	1,254	26,931	-	28,688
Other liabilities**	-	-	-	83,989	83,989
Total financial liabilities	5,122,771	502,463	147,961	140,072	5,913,267
Total interest gap	(4,478,099)	237,263	4,192,993		

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

**Other liabilities (excludes deferred income as they are not financial liabilities).

All financial instruments are at fixed interest rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.5 Market risk (continued)

10.5.3 Interest rate risk (continued)

BANK As at 31 December 2019	Up to 3 months	3 - 12 months	Over 1 year	Non-interest bearing	In TZS' Million Total
Assets					
Cash and balances with Central bank	-	-	-	753,462	753,462
Debt instruments at amortized cost	46,314	189,134	588,806	-	824,247
Debt instruments at FVOCI	-	7	461,658	-	461,665
Loans and advances to banks	311,461	-	22,228	13,087	346,776
Loans and advances to customers (Gross)	208,634	639,228	2,636,386	-	3,484,248
Credit cards	1,312	-	-	-	1,312
Other assets*	-	-	-	98,473	98,473
Total financial assets	567,721	828,369	3,709,078	865,022	5,970,190
Liabilities					
Deposits from banks	6,498	-	-	-	6,498
Deposits from customers	4,608,146	375,083	41,261	44,353	5,068,843
Borrowings	6,004	27,000	264,088	-	297,092
Subordinated debt	2,400	-	30,000	-	32,400
Lease liabilities	2,296	6,888	29,719	-	38,903
Other liabilities**	-	-	-	93,213	93,213
Total financial liabilities	4,625,344	408,971	365,068	137,566	5,536,949
Total interest gap	(4,057,623)	419,398	3,344,010		

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

**Other liabilities (excludes deferred income as they are not financial liabilities).

All financial instruments are at fixed interest rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.6 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

10.7 Strategic and business risk

Strategic risk refers to the current or prospective negative impact on earnings, capital or reputation arising from adverse strategic decisions, improper implementation of decisions or a lack of responsiveness to industry, economic or technological changes. It is the risk of not achieving our strategic goals.

Business risk refers to the adverse impact on earnings or capital arising from changes in business parameters such as volumes, margins and costs. The sources of business risk include uncompetitive products or pricing, internal inefficiencies, and changes in general business conditions such as market contraction or changes in customers' expectations and demand. It is the risk of not achieving our short-term business objectives.

Our Board of Directors and senior management committees are responsible for managing risks associated with the Group's business. The Managing Director and CEO, supported by senior management committees, oversees the day-to-day management of the Group and make business decisions within the Group's risk appetite. The Group's strategy is then translated into annual financial targets, taking into account the macroeconomic environment, and cascaded to specific business for development and implementation.

10.8 Compliance risk

Compliance risk encompasses regulatory and legal compliance risk. Compliance risk is the risk that the Bank incurs financial or reputational risk through imposition of penalties or fines as a result of not adhering to applicable laws, rules and regulations and good market practice (including ethical standards). The Group's compliance function proactively seeks to enhance compliance risk management and the supporting control framework. The Group operates in a market where there is a significant level of regulatory change activity, therefore, compliance risk is a key area of focus for Senior Management. The compliance function monitors this risk through reference to metrics relevant to the Group, review of incident reports and assessments, risk and control assessments pertaining to the first and second lines of defence functions, results of regulatory assessments, and review

10.9 Fair value of assets and liabilities

Fair value measurement hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's and Bank's market assumptions.

These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

There were no transfers between hierarchy levels 1 and 2 during the year.

There were no any transfers into and out of Level 3 of the fair value hierarchy during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.9 Fair value of assets and liabilities (continued)

(a) Financial instruments not measured at fair value

The fair value of assets and liabilities not measured at fair value approximates carrying amounts. Where the fair value does not approximate carrying amount, the respective fair values have been computed and disclosed in this note below for both Group and Bank.

(i) *Cash and balances with Central bank*

The carrying amount of cash and balances with Central bank is a reasonable approximation of its fair value.

(ii) *Loans and advances to banks*

Loans and advances to banks include interbank placements and items in the course of collection. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(iii) *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.

(iv) *Investment securities*

The fair value for debt instruments at amortized costs and equity instruments at fair value through OCI is based on market prices. Where this information is not available, fair value is estimated using market prices for securities with similar credit, maturity and yield characteristics.

(v) *Deposits from banks and due to customers*

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amount is a reasonable approximation of fair value.

(vi) *Off-balance sheet financial instruments*

The estimated fair values of the off-balance sheet financial instruments are based on market prices for similar facilities. When this information is not available, fair value is estimated using discounted cash flow analysis.

(vii) *Borrowings*

The carrying amount of borrowings is a reasonable approximation of its fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.9 Fair value of assets and liabilities (continued)

(a) Financial instruments not measured at fair value (continued)

The table below summarises the carrying amounts and fair values of financial assets and liabilities

GROUP			In TZS' Million
31 December 2020	**Hierarchy Level**	**Carrying amount**	**Fair value**
Financial assets			
Cash and balances with Central bank	**2**	**652,918**	**652,918**
Loans and advances to banks		**361,902**	**361,902**
Loans and advances to customers (Gross)	**2**	**4,075,604**	**4,075,604**
Credit cards	**2**	**529**	**529**
Debt instruments at amortized cost	**2**	**995,824**	**995,824**
Other assets*		**94,788**	**94,788**
		6,181,565	**6,181,565**
Financial liabilities			
Deposits from banks	**2**	**296,212**	**296,212**
Deposits from customers	**2**	**5,434,647**	**5,434,647**
Borrowings	**2**	**238,054**	**238,054**
Subordinated debts	**2**	**32,407**	**32,407**
Lease liabilities		**29,618**	**29,618**
Other liabilities**		**84,941**	**84,941**
		6,115,879	**6,115,879**
31 December 2019			
Financial assets			
Cash and balances with Central bank	2	764,015	764,015
Loans and advances to banks		323,677	323,677
Loans and advances to customers (Gross)	2	3,541,095	3,541,095
Credit cards	2	1,312	1,312
Debt instruments at amortized cost	2	955,698	955,698
Other assets*		97,840	97,840
		5,683,637	5,683,637
Financial liabilities			
Deposits from banks	2	25,195	25,195
Deposits from customers	2	5,202,247	5,202,247
Borrowings	2	297,092	297,092
Subordinated debts	2	32,400	32,400
Lease liabilities		39,778	39,778
Other liabilities**		93,071	93,071
		5,689,783	5,689,783

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

**Other liabilities (excludes deferred income as they are not financial liabilities).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.9 Fair value of assets and liabilities (continued)

(a) Financial instruments not measured at fair value (continued)

The table below summarises the carrying amounts and fair values of financial assets and liabilities.

BANK			In TZS' Million
31 December 2020	**Hierarchy Level**	**Carrying amount**	**Fair value**
Financial assets			
Cash and balances with Central bank	**2**	**633,209**	**633,209**
Loans and advances to banks		**382,207**	**382,207**
Loans and advances to customers (Gross)	**2**	**3,998,295**	**3,998,295**
Credit cards	**2**	**529**	**529**
Debt instruments at amortized cost	**2**	**843,316**	**843,316**
Other assets*		**96,494**	**96,494**
		5,954,050	**5,954,050**
Financial liabilities			
Deposits from Banks	**2**	**295,984**	**295,984**
Deposits from customers	**2**	**5,234,145**	**5,234,145**
Borrowings	**2**	**238,054**	**238,054**
Subordinated debts	**2**	**32,407**	**32,407**
Lease liabilities		**28,688**	**28,688**
Other liabilities**		**83,989**	**83,989**
		5,913,267	**5,913,267**
31 December 2019			
Financial assets			
Cash and balances with Central bank	2	753,462	753,462
Loans and advances to banks		346,776	346,776
Loans and advances to customers (Gross)	2	3,484,248	3,484,248
Credit cards	2	1,312	1,312
Debt instruments at amortized cost	2	824,247	824,247
Other assets*		98,473	98,473
		5,508,518	5,508,518
Financial liabilities			
Deposits from Banks	2	6,498	6,498
Deposits from customers	2	5,068,843	5,068,843
Borrowings	2	297,092	297,092
Subordinated debts	2	32,400	32,400
Lease liabilities		38,903	38,903
Other liabilities**		93,213	93,213
		5,536,949	5,536,949

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income as they are not financial liabilities).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.9 Fair value of assets and liabilities (continued)

(b) Fair value measurement hierarchy of the Group and Bank's assets and liabilities

The following tables represents the Group's and Bank's financial assets that are measured at fair value at 31 December 2020.

Motor vehicles and mobile branches that are measured at fair value are disclosed under Note 37B.

GROUP				In TZS' Million
31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets measured at FVPL	**-**	**5,572**	**-**	**5,572**
Debt instrument measured at FVOCI:				
- Treasury Bonds	**-**	**501,005**	**-**	**501,005**
Equity Investment measured at FVOCI	**288**	**3,931**	**4,404**	**8,623**
Equity Investment measured at FVPL	**-**	**-**	**2,555**	**2,555**
Total assets	**288**	**510,508**	**6,959**	**517,755**
31 December 2019				
Debt instrument measured at FVOCI:				
- Treasury Bonds	-	461,665	-	461,665
Equity Investment measured at FVOCI	459	4,636	-	5,095
Equity Investment measured at FVPL	-	-	3,040	3,040
Total assets	459	466,301	3,040	469,800

GROUP				In TZS' Million
31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Debt instrument measured at FVOCI:				
- Treasury Bonds	**-**	**501,005**	**-**	**501,005**
Equity Investment measured at FVOCI	**288**	**3,796**	**4,404**	**8,488**
Equity Investment measured at FVPL	**-**	**-**	**2,555**	**2,555**
Total assets	**288**	**504,801**	**6,959**	**512,048**
31 December 2019				
Debt instrument measured at FVOCI:				
- Treasury Bonds	-	461,665	-	461,665
Equity Investment measured at FVOCI	459	4,514	-	4,973
Equity Investment measured at FVPL	-	-	3,040	3,040
Total assets	459	466,179	3,040	469,678

During the year, there were no intra level transfers and there was sufficient information available to measure the fair value of financial instruments based on observable market inputs. 2019 comparative has been updated to include accrued interest previously not disclosed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.9 Fair value of assets and liabilities (continued)

(b) Fair value measurement hierarchy of the Group and Bank's assets and liabilities (continued)

Reconciliation of Level 3 - Equity Investments at FVPL

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
At 1 January	**3,040**	2,661	**3,040**	2,661
Revaluation gain/ (loss)	**(485)**	379	**(485)**	379
Purchases	**-**	-	**-**	-
At 31 December	**2,555**	3,040	**2,555**	3,040

During the year there were no purchase, sales, issues and settlements.

Reconciliation of Level 3 - Equity Investments at FVOCI

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
At 1 January	**-**	-	**-**	-
Revaluation gain/ (loss)	**7,000**	-	**7,000**	-
Purchases	**(2,596)**	-	**(2,596)**	-
At 31 December	**4,404**	-	**4,404**	-

During the year there were no sales, issues and settlements.

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The quoted market price used for financial assets held by the Group is the current bid price of debt securities from the most current Bank of Tanzania auction results. Instruments included in Level 1 comprise primarily equity investments.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer/Bank of Tanzania quotes for similar instruments;
- Quoted prices for identical or similar assets or liabilities in markets that are not active.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.9 Fair value of assets and liabilities (continued)

(b) Fair value measurement hierarchy of the Group and Bank's assets and liabilities (continued)

Financial instruments in level 3

Investment securities are fair valued based on observable market information, including market prices for debt and equity securities. Where observable market inputs are unavailable, the Group uses valuation techniques to arrive to the fair value, including the use of transaction prices obtained at recent arm's length transactions and discounted cash flow analysis, based on market conditions and risks at the reporting date. Changes in fair value of equity instruments are measured at the end of each accounting period

The significant unobservable inputs used in the fair value measurements categorized within level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 Dec 2020 and 2019 are shown below:

Non-Listed Equity investment	Valuation Technique	Significant unobservable inputs	Range (Weighted Average)	Sensitivity of the inputs to fair value
KCBL	DCF method	Discount rate	**2020:16%-17%** 2019:16%-17%	2% increase(decrease) in discount rate would result in an increase(decrease) in fair value by TZS 121mn
TACOBA	DCF method	Discount rate	**2020:16%-17%** 2019:16%-17%	2% increase(decrease) in discount rate would result in an increase(decrease) in fair value by TZS 39mn
MOTOR VEHICLE & MOBILE BRANCHES	Direct sales comparison approach	Prices of similar nature (per unit cost)	**2020: TZS 154mn** 2019: TZS 160mn	4% increase(decrease) in discount rate would result in an increase(decrease) in fair value by TZS 1,566mn

There were no other significant unobservable inputs used other than the discount rate and prices of similar nature (per unit cost) in the measurement of fair value of equity investments and motor vehicles and mobile branches respectively as stated above, hence no interrelationship of the inputs used in the fair value measurements.

During the year, there has been no change in valuation techniques on all levels.

Fair value measurement is based on assumptions and inputs. During financial disruptions the assumptions and inputs are expected to change, however volatility in prices in Tanzania market was insignificant as there was no material change on both quoted and unquoted instruments despite the outbreak of the COVID-19 pandemic. This was mainly due to strong measures taken by the Central Bank of Tanzania (BOT) to minimize the risks of the pandemic.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.10 Capital management

The Bank's objectives for managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- To comply with the capital requirements set by the Central Bank i.e. Bank of Tanzania;
- 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, for supervisory purposes. The required information is filed with the Central Bank on a quarterly basis.

The Central Bank requires the Banking Group to:

(a) hold the 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 (the 'Basel ratio') at 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.

The Bank's regulatory capital as managed by its Finance department is divided into two tiers:

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. Intangible assets and prepaid expenses are deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital and general banking reserve

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.10 Capital management (continued)

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2020 and 31 December 2019. During those two periods, the Group and Bank complied with all of the externally imposed capital requirements to which they are subject.

					In TZS' Million
		GROUP		BANK	
		2020	**2019**	**2020**	**2019**
Tier 1 capital					
Share capital		**65,296**	65,296	**65,296**	65,296
Share Premium		**158,314**	158,314	**158,314**	158,314
Retained earnings		**735,720**	619,410	**716,469**	607,181
Excess impairment –IFRS 9*		**-**	8,769	**-**	8,769
Prepaid expenses		**(31,657)**	(21,091)	**(28,234)**	(17,009)
Deferred tax asset		**(48,639)**	(81,950)	**(48,647)**	(81,957)
Total qualifying Tier 1 capital		**879,034**	748,748	**863,198**	740,594
Tier 2 capital					
General Banking reserve		**1,259**	695	**-**	-
Subordinated debt		**4,500**	10,500	**4,500**	10,500
Total qualifying Tier 2 capital		**5,759**	11,195	**4,500**	10,500
Total regulatory capital		**884,793**	759,943	**867,698**	751,094
Risk-weighted assets					
On-balance sheet		**4,046,435**	3,594,892	**3,969,497**	3,566,421
Off-balance sheet		**409,448**	313,247	**409,448**	313,247
Market risk		**32,271**	11,842	**32,271**	11,842
Operational risk		**470,871**	445,253	**461,755**	422,724
Total risk-weighted assets		**4,939,230**	4,365,234	**4,853,176**	4,314,234
	Required ratio	**Group's ratio 2020**	Group's Ratio 2019	**Bank's Ratio 2020**	Bank's ratio 2019
	%	**%**	%	**%**	%
Tier 1 capital	12.5	**17.8**	17.2	**17.8**	17.2
Tier 1 + Tier 2 capital (Total capital)	14.5	**17.9**	17.4	**17.9**	17.4

*Bank of Tanzania's guidance on implementation of IFRS 9 allowed banks and financial institutions, for the purpose of computing Core Capital on first adoption of IFRS 9, to spread the excess impairment equally over three years from 2018. The excess impairment resulting from IFRS 9 adoption ended in the year 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 INTEREST AND SIMILAR INCOME

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
Interest income calculated using effective interest method				
Loans and advances to customers				
- Term loans	**440,516**	408,461	**428,577**	398,244
- Overdrafts	**61,054**	56,585	**59,918**	55,783
- Credit cards	**166**	286	**166**	286
Loans and advances to banks	**5,138**	5,761	**5,696**	7,096
Discount earned and interest on Debt instruments				
- Treasury bills	**12,275**	13,802	**12,052**	13,663
- Treasury and corporate bonds at amortised cost	**110,502**	95,578	**95,077**	85,808
- Treasury at FVOCI	**69,643**	65,614	**69,643**	65,614
	699,294	646,087	**671,129**	626,494

12 INTEREST AND SIMILAR EXPENSE

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
Interest expense calculated using effective interest method				
Deposits from customers				
– current accounts	**15,651**	11,671	**14,249**	10,864
– savings accounts	**15,147**	14,782	**14,297**	14,208
– fixed deposits	**57,710**	55,433	**54,678**	52,352
Borrowings	**25,390**	30,100	**23,441**	29,879
Subordinated debt	**2,407**	2,400	**2,407**	2,400
	116,305	114,386	**109,072**	109,703
Interest expense on lease liability calculated using effective interest method*	**2,509**	2,615	**2,461**	2,553
Total interest and similar expenses	**118,814**	117,001	**111,533**	112,256

2019 description of interest expenses on lease liability has changed to 'Interest expense on lease liability calculated using effective interest method'

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 NET FEE AND COMMISSION INCOME

A) Fee and Commission Income

Disaggregated revenue information

				In TZS' Million
	GROUP		BANK	
Type of service	2020	2019	2020	2019
Fee income earned from services that are provided over time:				
Service charge on customer accounts	**35,157**	38,889	**34,500**	40,695
Commission on mobile phone services	**51,303**	41,880	**51,006**	35,390
Loan Commitment fees*	**9,707**	5,866	**9,654**	6,187
VISA and master card fees	**9,514**	10,951	**9,452**	11,417
Commission on letters of credit	**5,520**	7,099	**5,489**	6,932
Fee on issue of Bank cards	**12,887**	12,617	**12,806**	13,270
Agency Banking	**19,515**	12,460	**19,408**	13,143
Fee on local transfers and drafts	**5,881**	6,920	**5,492**	6,947
Point of sale fees	**6,678**	9,123	**6,641**	9,622
Fee on international telegraphic transfers	**1,088**	3,585	**487**	1,555
Commission on guarantees and indemnities	**9,085**	4,739	**8,972**	4,964
	166,335	154,129	**163,907**	150,122
Fee income from providing financial services at a point in time:				
Salary processing fees	**5,301**	5,100	**4,957**	4,309
Insurance Commission	**8,046**	5,167	**1,949**	891
Sale of Cheque books	**715**	834	**670**	844
ATM withdrawal charges	**14,123**	14,082	**13,955**	14,853
Statement Charges	**1,400**	1,330	**1,385**	1,396
Custodianship Commission	**1,241**	797	**1,234**	841
Commission from TRA collections	**649**	1,407	**646**	1,484
Other fees and commissions	**6,282**	6,873	**5,318**	5,290
	37,757	35,590	**30,114**	29,908
Gross fee and commission income	**204,092**	189,719	**194,021**	180,030

*'These are fees which are not integral part in the calculation of effective interest rate for the financial assets that are not at FVPL.

Disaggregation of the above fee and commission is based on whether the customer simultaneously receives and consumes the benefits provided by the Group

There were no significant judgements used in determination of revenue under IFRS 15. Receivables from contract with customers and impairment thereof are disclosed under Note 35.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 NET FEE AND COMMISSION INCOME (CONTINUED)

A) Fee and Commission Income (continued)

Disaggregated revenue information

GROUP				In TZS' Million
Year ended 31 December 2020				
Type of service	**Corporate Banking**	**Retail Banking**	**Treasury**	**Total**
Fee income earned from services that are provided over time:				
Service charge on customer accounts	4,859	30,298	-	35,157
Commission on mobile phone services	14,704	36,599	-	51,303
Loan Commitment fees*	3,445	6,262	-	9,707
VISA and master card fees	1,724	7,790		9,514
Commission on letters of credit	5,520	-	-	5,520
Fee on issue of Bank cards	3,692	9,195	-	12,887
Agency Banking	6,393	13,122	-	19,515
Fee on local transfers and drafts	1,583	4,298	-	5,881
Point of sale fees	1,914	4,764	-	6,678
Fee on international telegraphic transfers	122	879	87	1,088
Commission on guarantees and indemnities	9,085	-	-	9,085
	53,041	113,207	87	166,335
Fee income from providing financial services at a point in time:				
Salary processing fees	1,429	3,872	-	5,301
Insurance Commission	2,302	5,744	-	8,046
Sale of Cheque books	72	643	-	715
ATM withdrawal charges	4,023	10,100	-	14,123
Statement Charges	399	1,001	-	1,400
Custodianship Commission	-	-	1,241	1,241
Commission from TRA collections	186	463	-	649
Other fees and commissions	1,244	4,859	186	6,282
	9,655	26,682	1,427	37,757
Gross fee and commission income	204,092	139,889	1,514	204,092

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 NET FEE AND COMMISSION INCOME (CONTINUED)

A) Fee and Commission Income (continued)

Disaggregated revenue information

GROUP Year ended 31 December 2019 Type of service	Corporate Banking	Retail Banking	Treasury	In TZS' Million Total
Fee income earned from services that are provided over time:				
Service charge on customer accounts	5,374	33,515	-	38,889
Commission on mobile phone services	14,721	27,159	-	41,880
Loan Commitment fees*	2,082	3,784	-	5,866
VISA and master card fees	1,984	8,967		10,951
Commission on letters of credit	7,099	-	-	7,099
Fee on issue of Bank cards	3,614	9,003	-	12,617
Agency Banking	4,082	8,378	-	12,460
Fee on local transfers and drafts	1,863	5,057	-	6,920
Point of sale fees	2,615	6,508	-	9,123
Fee on international telegraphic transfers	402	3,029	154	3,585
Commission on guarantees and indemnities	4,739	-	-	4,739
	48,575	105,400	154	154,129
Fee income from providing financial services at a point in time:				
Salary processing fees	1,375	3,725	-	5,100
Insurance Commission	1,478	3,689	-	5,167
Sale of Cheque books	84	750	-	834
ATM withdrawal charges	4,011	10,071	-	14,082
Statement Charges	379	951	-	1,330
Custodianship Commission	-	-	797	797
Commission from TRA collections	403	1,004	-	1,407
Other fees and commissions	650	6,042	181	6,873
	8,380	26,232	978	35,590
Gross fee and commission income	56,955	131,632	1,132	189,719

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 NET FEE AND COMMISSION INCOME (CONTINUED)

A) Fee and Commission Income (continued)

Disaggregated revenue information

BANK Year ended 31 December 2020 Type of service	Corporate Banking	Retail Banking	Treasury	Total In TZS' Million
Fee income earned from services that are provided over time:				
Service charge on customer accounts	4,768	29,732	-	34,500
Commission on mobile phone services	14,638	36,368	-	51,006
Loan Commitment fees*	3,427	6,227	-	9,654
VISA and master card fees	1,713	7,739		9,452
Commission on letters of credit	5,489	-	-	5,489
Fee on issue of Bank cards	3,668	9,138	-	12,806
Agency Banking	6,358	13,050	-	19,408
Fee on local transfers and drafts	1,479	4,013	-	5,492
Point of sale fees	1,904	4,737	-	6,641
Fee on international telegraphic transfers	55	278	154	333
Commission on guarantees and indemnities	8,972	-	-	8,972
	52,471	111,282	154	163,753
Fee income from providing financial services at a point in time:				
Salary processing fees	1,336	3,621	-	4,957
Insurance Commission	1,058	891	-	1,949
Sale of Cheque books	68	602	-	670
ATM withdrawal charges	3,975	9,980	-	13,955
Statement Charges	395	990	-	1,385
Custodianship Commission	-	-	1,234	1,234
Commission from TRA collections	185	461	-	646
Other fees and commissions	1,226	4,067	179	5,472
	8,243	20,612	1,413	30,268
Gross fee and commission income	60,714	131,894	1,567	194,021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 NET FEE AND COMMISSION INCOME

A) Fee and Commission Income (continued)

Disaggregated revenue information

BANK Year ended 31 December 2019 Type of service	Corporate Banking	Retail Banking	Treasury	In TZS' Million Total
Fee income earned from services that are provided over time:				
Service charge on customer accounts	5,374	35,321	-	40,695
Commission on mobile phone services	14,721	20,669	-	35,390
Loan Commitment fees*	2,082	4,105	-	6,187
VISA and master card fees	1,984	9,433		11,417
Commission on letters of credit	5,322	167	-	5,489
Fee on issue of Bank cards	3,614	9,656	-	13,270
Agency Banking	4,082	9,061	-	13,143
Fee on local transfers and drafts	1,863	5,084	-	6,947
Point of sale fees	2,615	7,007	-	9,622
Fee on international telegraphic transfers	402	1,066	87	1,555
Commission on guarantees and indemnities	4,739	225	-	4,964
	46,798	101,794	87	148,679
Fee income from providing financial services at a point in time:				
Salary processing fees	1,375	2,934	-	4,309
Insurance Commission	304	2,930	-	3,234
Sale of Cheque books	84	760	-	844
ATM withdrawal charges	4,011	10,042	-	14,053
Statement Charges	379	1,017	-	1,396
Custodianship Commission	-	-	741	741
Commission from TRA collections	403	1,081	-	1,484
Other fees and commissions	650	4,503	137	5,290
	7,206	23,267	878	31,351
Gross fee and commission income	54,004	125,061	965	180,030

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B) Fee and Commission Expense

	GROUP		BANK	In TZS' Million
	2020	**2019**	**2020**	**2019**
Commission paid Agency Banking	**21,025**	15,222	**21,020**	15,222
Commission paid Nostro transactions	**3,442**	3,139	**3,442**	3,053
Commission paid to VISA and Mastercard	**11,966**	14,536	**11,966**	14,536
Other fees and commissions	**-**	258	**-**	-
	36,433	33,155	**36,428**	32,811

These are fees which are not integral part in the calculation of effective interest rate for the financial liabilities that are not at FVPL.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 FOREIGN EXCHANGE INCOME

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
Foreign exchange income	**36,721**	38,660	**34,444**	37,861

15 NET GAIN OR (LOSS) ON FINANCIAL ASSETS AND EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
Financial assets measured at fair value through profit or loss*	**556**	-	**-**	-
Equity investment measured at fair value through profit or loss (Note 34)	**(485)**	379	**(485)**	379
	71	379	**(485)**	379

*Realised gain relating to UTT_investment in Liquid fund that have been classified as a financial asset at FVPL using the fair value option. The gain relates to the financial assets designated at FVPL.

16 NET GAIN OR (LOSS) ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FVOCI

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	**19,510**	6,313	**19,510**	6,313

17 OTHER OPERATING INCOME

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
Rental income	**54**	92	**54**	92
Dividend income	**2,934**	30	**5,604**	6,530
FSDT Assets grant income (Note 45.1)	**1,205**	1,039	**1,205**	1,039
Mastercard grant income (Note 45.2)	**64**	-	**-**	-
MIVARF (Note 45.3)	**585**	583	**585**	583
Profit/ (Loss) on disposal of fixed assets	**(581)**	388	**(517)**	362
	4,261	2,132	**6,931**	8,606

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 OTHER OPERATING EXPENSES

In TZS' Million

	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
Administrative expenses	**64,993**	71,179	**62,209**	68,118
Board Fees*	**1,123**	1,124	**733**	689
Board Expenses**	**1,924**	2,881	**1,378**	1,902
Auditors' fees	**836**	894	**785**	809
Communication and IT costs	**28,578**	24,695	**28,394**	24,197
Marketing and advertising expenses	**10,798**	10,887	**10,342**	10,157
Travelling costs	**9,672**	11,256	**9,137**	10,652
Utilities expenses	**4,427**	4,401	**4,296**	4,239
Repairs and Maintenance	**2,484**	1,434	**2,359**	1,320
Local taxes	**3,622**	4,778	**3,585**	4,678
Shareholders Meetings expenses***	**224**	1,651	**223**	1,567
Other expenses	**3,992**	2,002	**3,778**	1,822
	132,673	137,182	**127,219**	130,150

*Board Fee refers to the retainer fee payable to non-executive directors during the year of service on Board.

**Board expenses are all reasonable out-of-pocket expenses incurred by each non-executive director in connection with attending the meetings of the Board and any committee thereof.

*** Shareholders meeting expenses are expenses associated with the Annual General meeting which is being done every year. The costs has significantly decreased resulted from holding the meeting virtually.

Other expenses include miscellaneous expenses.

During the year there were neither short term lease expense nor expense of leases of low value.

19 DEPRECIATION AND AMORTISATION

In TZS' Million

	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
Depreciation of property and equipment (Note 37A)	**32,735**	31,101	**32,092**	30,372
Depreciation of Motor vehicles and mobile branches (Note 37B)	**2,879**	3,876	**2,720**	3,481
Amortization right-of-use assets (Note 30C)	**12,961**	13,176	**12,766**	12,972
Amortization of leasehold land (Note 38)	**317**	316	**317**	316
Amortization of intangible assets (Note 39)	**9,826**	10,592	**9,527**	10,305
	58,718	59,061	**57,422**	57,446

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 EMPLOYEE BENEFIT EXPENSES

In TZS' Million

	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
Salaries and wages	**186,899**	156,927	**180,259**	150,877
Bonus	**19,687**	20,075	**19,035**	19,456
Social security contributions	**23,981**	19,677	**23,499**	19,249
Gratuity	**4,581**	18,031	**4,072**	17,517
Employee separation costs	**3,295**	4,519	**3,295**	4,519
Leave allowance	**14,620**	7,250	**14,153**	7,057
Medical expenses	**8,118**	6,513	**8,001**	6,422
Staff Welfare	**10,581**	8,754	**10,341**	8,458
Skills & Development Levy	**9,310**	8,547	**9,216**	8,438
Group Personal Accident	**1,373**	1,235	**1,337**	1,225
Staff Transfers	**1,495**	1,349	**1,380**	1,349
Staff award	**2,748**	3,642	**2,748**	3,642
Staff uniforms	**1,254**	69	**1,216**	31
Workman's compensation	**1,760**	1,559	**1,740**	1,441
Retirement benefits	**2,660**	1,581	**2,660**	1,581
Other staff costs	**692**	789	**642**	866
	293,054	260,517	**283,594**	252,128

Other staff costs include miscellaneous expenses related to staff.

21 INCOME TAX

(A) Income tax expense

In TZS' Million

	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
Current income tax – current year	**48,965**	48,247	**46,160**	47,436
Current income tax – prior years	**225**	(25)	**639**	(25)
Deferred tax – current year	**21,069**	4,464	**21,069**	4,411
Deferred tax – prior years	**726**	1,854	**726**	470
	70,985	54,540	**68,594**	52,292

(B) Income tax recoverable

At 1 January	**18,962**	16,842	**16,713**	13,915
Tax recoverable derecognised due to deconsolidation of MFSCL*	**(1,639)**	-	**-**	-
Payments made during the year	**47,777**	49,024	**46,344**	48,871
Charge to profit or loss	**(49,190)**	(48,222)	**(46,799)**	(47,411)
Withholding tax utilised	**1,259**	1,318	**1,247**	1,338
Closing balance	**17,169**	18,962	**17,505**	16,713

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 INCOME TAX

(C) Reconciliation of accounting profit to tax charge

The tax on the Group and Bank profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

				In TZS' Million
	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
Profit before income tax	**236,171**	174,685	**221,583**	174,938
Tax calculated at the statutory income tax rate at 30%	**70,851**	52,406	**66,475**	52,481
Tax effect of:				
Depreciation on non-qualifying assets	**410**	728	**410**	728
Losses on sales of non-qualifying assets	**(6)**	69	**(6)**	64
Expenses not deductible for tax purposes	**1,505**	1,711	**1,505**	641
Under provisions of current tax in previous years	**639**	(25)	**639**	(25)
Over provision of deferred tax in previous years	**726**	1,854	**726**	470
Dividend received	**(1,067)**	(1,950)	**(1,067)**	(1,950)
Other*	**(2,073)**	(253)	**(88)**	(117)
Income tax expense	**70,985**	54,540	**68,594**	52,292
Effective tax rate	**30%**	31%	**31%**	30%

There is no change in tax rate from the previous year and no amount of temporary differences associated with investments in subsidiaries which can be found in the statement of financial position mainly because of inexistence of temporary difference and the fact that it is unlikely that the difference will be reversed in future.

There were no income tax concessions granted by the Government as a result of the COVID-19 pandemic, the tax rates are the same as before the pandemic.

*Other represent effect of actual lower tax rate in Burundi from expected 30% due to existing incentives.

22 EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit attributed to the shareholders of the Group by the weighted average number of ordinary shares outstanding as at close of the year.

				In TZS' Million
	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
Profit for the year (TZS'Million)	**165,186**	120,145	**152,989**	122,646
Number of shares ('Million)	**2,612**	2,612	**2,612**	2,612
Basic and diluted earnings per share (TZS)	**63.24**	46.00	**58.57**	46.95

There were no potentially dilutive ordinary shares outstanding as at 31 December 2020 (2019: Nil). Diluted earnings per share is the same as basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23 DISTRIBUTION MADE AND PROPOSED

		In TZS' Million
	2020	**2019**
Cash dividends on ordinary shares declared:*		
Dividend declared 2019 TZS 17 per share (2018:TZS 8 per share)	**44,401**	20,896
Proposed dividends on ordinary shares:		
Cash dividend for 2020:TZS 22 per share (2019:TZS 17 per share)	**57,464**	44,401

Non-cash distribution

There was no non-cash distribution during the year (2019:NIL)

The Directors propose payment of a dividend of TZS 22 per share, amounting to TZS 57.5 billion out of 2020 profit to be ratified at the Annual General Meeting to be held in May 2021. In May 2020, dividend of TZS 17 per share, amounting to TZS 44.4 billion was approved by shareholders and paid.

Proposed dividend on ordinary shares are subject to approval at the Annual General Meeting and are not recognised as a liability as at 31 December.

*Represents cash dividends declared in 2019 and paid in 2020 and dividends declared in 2018 paid in 2019.

24 CASH AND BALANCES WITH CENTRAL BANK

				In TZS' Million
	GROUP		**BANK**	
	2020	**2019**	**2020**	**2019**
Cash in hand	**307,431**	333,796	**303,209**	329,341
Clearing accounts with Central bank	**115,524**	89,625	**100,037**	83,527
Statutory Minimum Reserves (SMR) *	**229,963**	340,594	**229,963**	340,594
	652,918	764,015	**633,209**	753,462

*In accordance with Section 44 of the Bank of Tanzania Act, 2006 and Sections 4 and 71 of the Banking and Financial Institutions Act, 2006; the Bank is required to maintain Statutory Minimum Reserves (SMR) on its total deposit liabilities and funds borrowed from the general public.

In 2019, the SMR deposit was required to be at least 7% of customers' total deposits and borrowings from the general public and 40% of government's deposits. In 2020, the monetary policy measures were amplified to alleviate the economy from the negative impact of COVID-19 by lowering the statutory minimum reserve (SMR) requirement ratio by 100 basis points to 6% and cutting discount rate by 200 basis points to 5%.

In 2020, the required reserve ratio determined by the Bank of the Republic of Burundi is set at 3% of the total deposit liabilities, remain unchanged from previous year.

The allowance for ECL relating to Cash and balances with Central bank in 2020 and 2019 rounds to zero.

Effective from 20th June 2017, the Bank of Tanzania unified the Statutory Minimum Reserves (SMR) account with the Clearing accounts so as to increase flexibility in liquidity management by banks and promote sustainability and short-term interest rates.

Deposits with the Central Bank represent mandatory reserve deposits and are not available for use in the Bank's day–to–day operations. Cash in hand and balances with Central bank are non-interest bearing assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 CASH AND BALANCES WITH CENTRAL BANK (CONTINUED)

The table below shows the credit quality for the gross carrying amount of cash and balances with central per stages 1, 2 and 3 based on the bank's internal credit rating system, and year-end stage classification.

GROUP					In TZS' Million
31 December 2020	**12-month PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade					
High grade	0.0%-0.5%	**652,918**	**-**	**-**	**652,918**
Standard grade	0.5%-11.7%	**-**	**-**	**-**	**-**
Sub-standard grade	11.7%-29.5%	**-**	**-**	**-**	**-**
Low grade	29.5%-100.0%	**-**	**-**	**-**	**-**
Individually impaired	100%	**-**	**-**	**-**	**-**
Gross Carrying amount		**652,918**	**-**	**-**	**652,918**

31 December 2019	12 month PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.0%-0.5%	764,015	-	-	764,015
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		764,015	-	-	764,015

BANK					In TZS' Million
31 December 2020	**12-month PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade					
High grade	0.0%-0.5%	**633,209**	**-**	**-**	**633,209**
Standard grade	0.5%-11.7%	**-**	**-**	**-**	**-**
Sub-standard grade	11.7%-29.5%	**-**	**-**	**-**	**-**
Low grade	29.5%-100.0%	**-**	**-**	**-**	**-**
Individually impaired	100%	**-**	**-**	**-**	**-**
Gross Carrying amount		**633,209**	**-**	**-**	**633,209**

BANK					In TZS' Million
31 December 2019	**12-month PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
High grade	0.0%-0.5%	753,462	-	-	753,462
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		753,462	-	-	753,462

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 DEBT INSTRUMENTS

				In TZS' Million
	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
Debt instruments at amortized cost				
Treasury bills	**144,751**	211,894	**124,036**	207,251
Treasury and corporate bonds	**851,305**	746,488	**719,512**	605,253
Less: Allowance for ECL	**(232)**	(2,684)	**(301)**	(2,684)
	995,824	955,698	**843,316**	824,247
Debt instruments at FVOCI				
Treasury bond	**501,074**	463,007	**501,074**	463,007
Less: Allowance for ECL	**(69)**	(1,342)	**(69)**	(1,342)
	501,005	461,665	**501,005**	461,665

Treasury bills and bonds are debt securities issued by the Government. As at 31 December 2020, treasury bonds amounting to TZS 103,252 million (2019: TZS 37,752 million) had been pledged as collateral for various short term borrowings from other Banks.

The fair value of the Treasury bills and bonds pledged as collateral approximate the carrying amount. In case of default, the lender have the rights over the debt securities pledged by the Bank.

The Bank did not have any debt instrument measured at FVOCI which were pledged as collateral as at 31 December 2020 (2019: Nil). As at 31 December, there were neither transferred financial assets nor repurchase and securities lending transactions (2019: Nil).

The maturity analysis of debt instruments net of ECL is as follows:

				In TZS' Million
	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
Maturing within 3 months				
Treasury bills	**35,119**	35,119	**4,984**	34,814
Treasury bonds	**13,383**	13,383	**38,926**	11,309
Maturing after 3 months - 12 months				
Treasury bills	**119,035**	177,056	**119,035**	172,575
Treasury bonds	**47,987**	26,298	**47,987**	2,020
Maturing after 12 months				
Treasury bonds	**780,300**	703,842	**632,384**	603,529
	995,824	955,698	**843,316**	824,247
Current	**215,523**	251,856	**210,932**	220,718
Non-current	**780,301**	703,842	**632,384**	603,529
	995,824	955,698	**843,316**	824,247

All debt instruments for the Group and Bank measured at FVOCI are non-current.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 DEBT INSTRUMENTS (CONTINUED)

An analysis of changes in the gross carrying amount in relation to debt instruments for the Group is, as follows:

GROUP				In TZS' Million
	Amortised Cost		FVOCI	
31 December 2020	Treasury bills	Treasury bonds		Total
At start of year	**211,894**	**732,061**	**477,434**	**1,421,389**
New financial assets purchased	**144,751**	**115,127**	**318,619**	**578,497**
Accrued interest	**-**	**20,549**	**16,304**	**36,853**
Payments received and financial assets derecognised	**(211,894)**	**(16,432)**	**(334,338)**	**(562,664)**
Revaluation gain on debt instrument at FVOCI	**-**	**-**	**23,055**	**23,055**
At end of year	**144,751**	**851,305**	**501,074**	**1,497,130**
Less: Allowance for ECL	**(17)**	**(215)**	**(69)**	**(301)**
Net debt instruments	**144,734**	**851,090**	**501,005**	**1,496,829**

31 December 2019				In TZS' Million
At start of year	106,132	651,573	481,003	1,238,708
New financial assets purchased	211,894	164,895	129,843	506,632
Accrued interest	-	19,361	14,427	33,788
Payments received and financial assets derecognised	(106,132)	(89,341)	(162,266)	(357,739)
At end of year	211,894	746,488	463,007	1,421,389
Less: Allowance for ECL	(893)	(1,791)	(1,342)	(4,026)
Net debt instruments	211,001	744,697	461,665	1,417,363

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 DEBT INSTRUMENTS (CONTINUED)

An analysis of changes in the gross carrying amount in relation to debt instruments for the Bank is, as follows:

BANK				In TZS' Million
	Amortised Cost		FVOCI	
31 December 2020	**Treasury bills**	**Treasury bonds**		**Total**
At start of year	**207,251**	**605,253**	**477,434**	**1,289,938**
New financial assets purchased	**124,036**	**111,523**	**318,619**	**554,178**
Accrued interest	**-**	**17,154**	**16,304**	**33,458**
Payments received and financial assets derecognised	**(207,251)**	**(14,418)**	**(334,338)**	**(556,007)**
Revaluation gain on debt instrument at FVOCI	**-**	**-**	**23,055**	**23,055**
At end of year	**124,036**	**719,512**	**501,074**	**1,344,622**
Less: Allowance for ECL	**(17)**	**(215)**	**(69)**	**(301)**
Net debt instruments	**124,019**	**719,297**	**501,005**	**1,344,321**
31 December 2019				
At start of year	106,132	597,800	481,003	1,184,935
New financial assets purchased	207,251	60,006	128,501	395,758
Accrued interest	-	16,477	14,427	30,904
Payments received and financial assets derecognised	(106,132)	(54,603)	(160,924)	(321,659)
At end of year	207,251	619,680	463,007	1,289,938
Less: Allowance for ECL	(893)	(1,791)	(1,342)	(4,026)
Net Debt instruments	206,358	617,889	461,665	1,285,912

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 DEBT INSTRUMENTS (CONTINUED)

Debt instruments measured at amortised cost

An analysis of changes in the gross carrying amount in relation to debt instruments at amortised cost is, as follows:

GROUP			In TZS' Million
	Stage 1		
31 December 2020	Treasury bills	Treasury bonds	Total
Debt instruments at amortised cost			
Gross carrying amount as at 1 January 2020	**211,894**	**732,061**	**943,955**
New financial assets originated or purchased	**144,751**	**115,127**	**259,878**
Accrued interest	**-**	**20,549**	**20,549**
Payments received and financial assets derecognised	**(211,894)**	**(16,432)**	**(228,326)**
Gross carrying amount as at 31 December 2020	**144,751**	**851,305**	**996,056**
Loss allowance as at 31 December 2020	**17**	**215**	**232**
31 December 2019			
Gross carrying amount as at 1 January 2019	106,132	651,573	757,705
New financial assets originated or purchased	211,894	164,895	376,789
Accrued interest	-	19,361	19,361
Payments received and financial assets derecognised	(106,132)	(89,341)	(195,473)
Gross carrying amount as at 31 December 2019	211,894	746,488	958,382
Loss allowance as at 31 December 2019	893	1,791	2,684

BANK			In TZS' Million
	Stage 1		
31 December 2020	Treasury bills	Treasury bonds	Total
Gross carrying amount as at 1 January 2020	**207,251**	**605,253**	**812,504**
New financial assets originated or purchased	**124,036**	**111,523**	**235,559**
Accrued interest	**-**	**17,154**	**17,154**
Payments received and financial assets derecognised	**(207,251)**	**(14,418)**	**(221,669)**
Gross carrying amount as at 31 December 2020	**124,036**	**719,512**	**843,548**
Loss allowance as at 31 December 2020	**17**	**215**	**232**
31 December 2019			
Gross carrying amount as at 1 January 2019	106,132	597,800	703,932
New financial assets originated or purchased	207,251	60,006	267,257
Accrued interest	-	16,477	16,477
Payments received and financial assets derecognised	(106,132)	(54,603)	(160,735)
Gross carrying amount as at 31 December 2019	207,251	619,680	826,931
Loss allowance as at 31 December 2019	893	1,791	2,684

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 DEBT INSTRUMENTS (CONTINUED)

The table below shows the gross carrying amount of the debt instruments measured at amortised cost by credit risk, based on the bank's internal credit rating system, and year-end stage classification.

GROUP					In TZS' Million
31 December 2020	**12-month PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade					
High grade	0.0%-0.5%	**996,056**	**-**	**-**	**996,056**
Standard grade	0.5%-11.7%	**-**	**-**	**-**	**-**
Sub-standard grade	11.7%-29.5%	**-**	**-**	**-**	**-**
Low grade	29.5%-100.0%	**-**	**-**	**-**	**-**
Individually impaired	100%	**-**	**-**	**-**	**-**
Gross Carrying amount		**996,056**	**-**	**-**	**996,056**
31 December 2019					
High grade	0.0%-0.5%	958,382	-	-	958,382
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		958,382	-	-	958,382

BANK					In TZS' Million
31 December 2020	**12-month PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade					
High grade	0.0%-0.5%	**843,548**	**-**	**-**	**843,548**
Standard grade	0.5%-11.7%	**-**	**-**	**-**	**-**
Sub-standard grade	11.7%-29.5%	**-**	**-**	**-**	**-**
Low grade	29.5%-100.0%	**-**	**-**	**-**	**-**
Individually impaired	100%	**-**	**-**	**-**	**-**
Gross Carrying amount		**843,548**	**-**	**-**	**843,548**
31 December 2019					
High grade	0.0%-0.5%	826,931	-	-	826,931
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		826,931	-	-	826,931

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 DEBT INSTRUMENTS (CONTINUED)

Debt instruments measured at amortised cost

An analysis of movement of ECL in relation to Debt instruments at amortised cost is, as follows:

GROUP AND BANK			In TZS' Million
	Stage 1		
31 December 2020	Treasury bills	Treasury bonds	Total
As at 1 January 2020	**893**	**1,791**	**2,132**
Charge/(release) for the period	**(11)**	**44**	**33**
Changes in model/assumptions**	**(865)**	**(1,620)**	**(2,485)**
Loss allowance as at 31 December 2020	**17**	**215**	**232**
31 December 2019			
As at 1 January 2019	175	257	432
Charge/(release) for the period	718	1,534	2,252
Loss allowance as at 31 December 2019	893	1,791	2,684

Debt instruments measured at FVOCI

An analysis of changes in the gross carrying amount in relation to Debt instruments at FVOCI is, as follows:

GROUP AND BANK		In TZS' Million
31 December 2020	Stage 1	Total
Gross carrying amount as at 1 January 2020	**477,434**	**477,434**
New financial assets originated or purchased	**334,923**	**334,923**
Payments received and financial assets derecognised	**(334,338)**	**(334,338)**
Revaluation gain on debt instrument at FVOCI	**23,055**	**23,055**
Gross carrying amount as at 31 December 2020	**501,074**	**501,074**
Loss allowance as at 31 December 2020	**69**	**69**
31 December 2019		
Gross carrying amount as at 1 January 2019	481,003	481,003
New financial assets originated or purchased	128,501	128,501
Payments received and financial assets derecognised	(160,924)	(160,924)
Revaluation gain on debt instrument at FVOCI	14,427	14,427
Gross carrying amount as at 31 December 2019	463,007	463,007
Loss allowance as at 31 December 2019	1,342	1,342

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 DEBT INSTRUMENTS (CONTINUED)

Debt instruments measured at FVOCI

The table below shows the fair value of the debt instruments measured at FVOCI by credit risk, based on the bank's internal credit rating system, and year-end stage classification.

GROUP AND BANK					In TZS' Million
31 December 2020	**12 -month PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade					
High grade	0.0%-0.5%	**501,074**	-	-	**501,074**
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		**501,074**	-	-	**501,074**
31 December 2019					
High grade	0.0%-0.5%	463,007	-	-	463,007
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		463,007	-	-	463,007

In relation to grading of debt instruments measured at amortised cost and FVOCI, the Bank suggests that 'investment grade' rating which is classified as high grade under the Bank's internal rating system as an indicator for a low credit risk and use PD rate of 0.03% and LGD of 45% as recommended by basel for non-collateralized facility.

An analysis of movement of ECL in relation to Debt instruments measured at FVOCI is, as follows:

GROUP AND BANK		In TZS' Million
31 December 2020	**FVOCI**	**Total**
As at 1 January 2020	**1,342**	**1,342**
Charge for the period	**28**	**28**
Changes in model/assumptions**	**(1,301)**	**(1,301)**
Loss allowance as at 31 December 2020	**69**	**69**
31 December 2019		
As at 1 January 2019	193	193
Charge for the period	1,149	1,149
Loss allowance as at 31 December 2019	1,342	1,342

**The model consider changes in assumption by reassessing the credit risk of Government securities instead of using the general country rating. The assessment noted Government securities has no historical default hence has low credit risk .The Bank further assessed COVID-19 impact on investment of Government securities been insignificant as the Central Bank of Tanzania has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. Movement or decrease in ECL resulted from the change in assumptions used in the computation of ECL.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

In TZS' Million

	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
UTT_Investment in Liquid Fund	**5,572**	-	**-**	-

During the year, the Group's subsidiary CRDB Insurance Brokerage Company Ltd invested in UTT Liquid Fund Unit Trust Scheme for the purpose of cashflow management. Management elected the designation of the financial assets at FVPL since initial recognition as required by IFRS 9 and no changes of classification at the reporting date. The financial asset is not held for trading.

27 LOANS AND ADVANCES TO BANKS

In TZS' Million

	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
Cheques and items for clearing	**4,544**	13,870	**2,035**	13,087
Nostro accounts balances	**168,017**	83,674	**167,963**	78,896
Placements with other banks	**190,873**	226,759	**213,741**	255,419
Less: Allowance for ECL	**(1,532)**	(626)	**(1,532)**	(626)
	361,902	323,677	**382,207**	346,776

Maturity analysis

	GROUP 2020	GROUP 2019	BANK 2020	BANK 2019
Redeemable on demand				
- Cheques and items for clearing	**4,544**	13,870	**2,035**	13,087
- Nostro accounts balances	**168,017**	83,674	**167,963**	78,896
Placements with other banks				
- Maturing within 3 months	**190,873**	226,759	**201,897**	233,191
- Maturity after 1 year	**-**	-	**11,844**	22,228
Less: Allowance for ECL	**(1,532)**	(626)	**(1,532)**	(626)
	361,902	323,677	**382,207**	346,776

The maturity analysis is based on the remaining periods to contractual maturity from year end.

An analysis of changes in the gross carrying amount in relation to Placement with other banks is, as follows:

In TZS' Million

	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
Placement with other banks				
At start of year	**226,759**	228,623	**255,419**	251,061
Additions	**5,479,110**	5,774,488	**5,479,110**	5,774,488
Matured	**(5,514,996)**	(5,776,352)	**(5,520,788)**	(5,770,130)
At end of year	**190,873**	226,759	**213,741**	255,419
Less: Allowance for ECL	**(1,454)**	(626)	**(1,454)**	(626)
	189,419	226,133	**212,287**	254,793

ECL for nostro accounts balances and cheques and items for clearing are immaterial.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 LOANS AND ADVANCES TO BANKS (CONTINUED)

An analysis of changes in the gross carrying amount in relation to placement with other banks is, as follows:

GROUP		In TZS' Million
Year ended 31 December 2020	**Stage 1**	**Total**
Placement with other banks		
Gross carrying amount as at 1 January 2020	**226,710**	**226,710**
New financial assets originated or purchased	**5,478,273**	**5,478,273**
Payments received and financial assets derecognised	**(5,514,996)**	**(5,514,996)**
Accrued interest	**443**	**443**
Gross carrying amount as at 31 December 2020	**190,430**	**190,430**
Loss allowance as at 31 December 2020	**1,454**	**1,454**
Year ended 31 December 2019		
Gross carrying amount as at 1 January 2019	228,623	228,623
New financial assets originated or purchased	5,774,390	5,774,390
Payments received and financial assets derecognised	(5,776,352)	(5,776,352)
Accrued interest	49	49
Gross carrying amount as at 31 December 2019	226,710	226,710
Loss allowance as at 31 December 2019	626	626

BANK		In TZS' Million
Year ended 31 December 2020	**Stage 1**	**Total**
Placement with other banks		
Gross carrying amount as at 1 January 2020	**253,702**	**253,702**
New financial assets originated or purchased	**5,478,761**	**5,478,761**
Payments received and financial assets derecognised	**(5,520,788)**	**(5,520,788)**
Accrued interest	**1,033**	**1,033**
Gross carrying amount as at 31 December 2020	**212,708**	**212,708**
Loss allowance as at 31 December 2020	**1,454**	**1,454**
Year ended 31 December 2019		
Gross carrying amount as at 1 January 2019	251,061	251,061
New financial assets originated or purchased	5,771,054	5,771,054
Payments received and financial assets derecognised	(5,770,130)	(5,770,130)
Accrued interest	1,717	1,717
Gross carrying amount as at 31 December 2019	253,702	253,702
Loss allowance as at 31 December 2019	626	626

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 LOANS AND ADVANCES TO BANKS (CONTINUED)

The table below shows the fair value of placement with other banks by credit risk, based on the Bank's internal credit rating system, and year-end stage classification.

GROUP					In TZS' Million
31 December 2020	**12-month PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade					
High grade	0.0%-0.5%	-	-	-	-
Standard grade	0.5%-11.7%	**190,873**	-	-	**190,873**
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		**190,873**	-	-	**190,873**
31 December 2019					
High grade	0.0%-0.5%	-	-	-	-
Standard grade	0.5%-11.7%	226,759	-	-	226,759
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		226,759	-	-	226,759

BANK					In TZS' Million
31 December 2020	**12-month PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade					
High grade	0.0%-0.5%	-	-	-	-
Standard grade	0.5%-11.7%	**213,741**	-	-	**213,741**
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		**213,741**	-	-	**213,741**
31 December 2019					
High grade	0.0%-0.5%	-	-	-	-
Standard grade	0.5%-11.7%	255,419	-	-	255,419
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		255,419	-	-	255,419

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 LOANS AND ADVANCES TO BANKS (CONTINUED)

The table below shows the gross carrying amount of nostro accounts balances and cheques and items for clearing per credit risk, based on the bank's internal credit rating system, and year-end stage classification.

GROUP					In TZS' Million
31 December 2020	**12-month PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade					
High grade	0.0%-0.5%	-	-	-	-
Standard grade	0.5%-11.7%	**172,561**	-	-	**172,561**
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		**172,561**	-	-	**172,561**
31 December 2019					
High grade	0.0%-0.5%	-	-	-	-
Standard grade	0.5%-11.7%	97,544	-	-	97,544
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		97,544	-	-	97,544

BANK					In TZS' Million
31 December 2020	**12-month PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade					
High grade	0.0%-0.5%	-	-	-	-
Standard grade	0.5%-11.7%	**169,998**	-	-	**169,998**
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		**169,998**	-	-	**169,998**
31 December 2019					
High grade	0.0%-0.5%	-	-	-	-
Standard grade	0.5%-11.7%	91,983	-	-	91,983
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		91,983	-	-	91,983

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 LOANS AND ADVANCES TO BANKS (CONTINUED)

An analysis of movement of ECL is, as follows:

GROUP AND BANK				In TZS' Million
Year ended 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2020	**626**	**-**	**-**	**626**
Charge for the period	**813**	**-**	**-**	**813**
Changes in model/assumptions*	**93**	**-**	**-**	**93**
Loss allowance as at 31 December 2020	**1,532**	**-**	**-**	**1,532**
Year ended 31 December 2019				
As at 1 January 2020	264	-	-	264
Charge for the period	362	-	-	362
Changes in model/assumptions**	-	-	-	-
Loss allowance as at 31 December 2019	626	-	-	626

*For customer with sovereign rating portfolio the PD and LGD is determined by looking up in transition matrices for time horizon of one year, published by external rating agencies. However, when the counterparty is not rated by external rating agencies, so it has no rating, and no externally available value of PD. The Bank set up an internal model for determining the PD value where each customer is assigned a credit rating reflective of their creditworthiness by using Analytic Hierarchy Process (AHP) which is a multi-criteria decision making method based on mathematics and credit risk analysis rather than using the general country rating PD for each counterpart not rated. The counterparties PD range from 0.35% to 1.93%.

28 LOANS AND ADVANCES TO CUSTOMERS

GROUP				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Corporate	**1,152,644**	**221,670**	**109,886**	**1,484,200**
SME	**371,053**	**69,103**	**35,510**	**475,666**
Mortgage	**38,534**	**7,882**	**4,198**	**50,614**
Personal	**1,930,869**	**24,122**	**27,806**	**1,982,797**
Microfinance	**78,765**	**2,037**	**1,525**	**82,327**
Gross loans and advances to customers	**3,571,865**	**324,814**	**178,925**	**4,075,604**
Less: Provision for impairment	**(38,745)**	**(12,280)**	**(95,483)**	**(146,508)**
Net loans and advances to customers	**3,533,120**	**312,534**	**83,442**	**3,929,096**
31 December 2019				
Corporate	1,169,262	86,535	133,149	1,388,946
SME	401,941	29,246	37,021	468,208
Mortgage	37,308	1,427	3,651	42,386
Personal	1,564,254	11,806	26,593	1,602,653
Microfinance	38,441	298	163	131,986
Gross loans and advances to customers	3,211,206	129,312	200,577	3,541,095
Less: Provision for impairment	(46,446)	(10,704)	(101,921)	(159,071)
Net loans and advances to customers	3,164,760	118,608	98,656	3,382,024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

BANK				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Corporate	**1,147,122**	**220,734**	**109,702**	**1,477,558**
SME	**369,249**	**69,080**	**35,328**	**473,657**
Mortgage	**32,367**	**7,882**	**4,198**	**44,447**
Personal	**1,876,171**	**24,392**	**27,238**	**1,927,801**
Microfinance	**71,271**	**2,037**	**1,524**	**74,832**
Gross loans and advances to customers	**3,496,180**	**324,125**	**177,990**	**3,998,295**
Less: Provision for impairment	**(38,731)**	**(12,279)**	**(95,127)**	**(146,137)**
Net loans and advances to customers	**3,457,449**	**311,846**	**82,863**	**3,852,158**
31 December 2019				
Corporate	1,159,951	86,118	133,102	1,379,171
SME	400,924	29,246	36,856	467,026
Mortgage	31,141	1,427	3,651	36,219
Personal	1,530,836	11,806	25,936	1,568,578
Microfinance	32,794	298	162	33,254
Gross loans and advances to customers	3,155,646	128,895	199,707	3,484,248
Less: Provision for impairment	(46,258)	(10,701)	(101,676)	(158,635)
Net loans and advances to customers	3,109,388	118,194	98,031	3,325,613

Despite COVID-19 Pandemic, credit portfolio performance has been relatively stable in the year 2020. An impact was noted in sectors directly impacted such as hotels and restaurants, tourism, education because of school closure, transport, and slight impact for customers whose main business is exportation. However, the Bank took pro-active measures to engage customers' timely and modified repayment schedules including granting moratorium period of payment of principal only or both, principal and accrued interest depending on the needs.

There has been notable improvement in credit portfolio performance in the year 2020 compared to 2019 as evidenced by decrease in non-performing loan (NPL) ratio of 4.4% in December 2020 compared to 5.5% in December 2019. The Bank has attained this through establishing pro-active portfolio monitoring strategies through containment of migration, automatic identification of early warning signals and take corrective actions, strategic growth in portfolio with higher yield but lower credit risk such as consumer loans, de-risking strategy, timely restructuring of credit facilities to align with the anticipated cash flows and writing off accounts in line with BOT guidelines.

In 2020, the Group and Bank did not acquire a portfolio categorised as POCI.

The contractual amount outstanding on financial assets written off by the Bank as at 31 December 2020 and that are still subject to enforcement activity was TZS 100,096 million (2019: TZS 124,930 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Maturity analysis

The maturity analysis is based on the remaining periods to contractual maturity from year end.

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
Maturity within 3 months	**229,870**	180,515	**229,870**	179,780
Maturing after 3 months but within 12 months	**556,327**	634,914	**556,327**	631,599
Maturity after 1 year	**3,142,899**	2,566,595	**3,065,961**	2,514,234
Net loans and advances to customers	**3,929,096**	3,382,024	**3,852,158**	3,325,613

Analysis by geographical location;

The Bank categorises loans and advances to customers into 6 regions of loan origination for the purpose of regulatory reporting to the Bank of Tanzania. The gross loans and advances below has not taken into account interest in suspense.

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
Dar es Salaam zone	**2,024,566**	1,757,267	**2,008,593**	1,753,675
Mbeya zone	**463,996**	402,863	**463,996**	402,863
Lake zone	**712,554**	618,673	**712,554**	618,673
Zanzibar zone	**374,187**	324,887	**374,187**	324,887
Arusha zone	**442,443**	384,150	**442,443**	384,150
Burundi	**61,336**	53,255	**-**	-
Gross loans and advances to customers	**4,079,082**	3,541,095	**4,001,773**	3,484,248

The composition of the zones is as follows:

Zone	Component regions
Dar es Salaam zone	All Dar es Salaam branches
Lake zone	Kagera, Kigoma, Mara, Mwanza, Simiyu, Geita, Shinyanga,Tabora and Singida
Mbeya zone	Mbeya, Sumbawanga Njombe, Katavi, Rukwa, Ruvuma and Mbeya
Zanzibar zone	Coast, Unguja, Lindi, Morogoro and Mtwara
Arusha zone	Arusha, Kilimanjaro, Manyara,Tanga and Dodoma
Burundi zone	Bunjumbura

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Analysis of impairment by industry;

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
Agriculture	**49,143**	44,152	**49,143**	44,152
Financial Intermediaries	**1,087**	1,308	**1,077**	1,308
Hotels and restaurants	**2,261**	2,971	**2,261**	2,971
Personal (Private)	**60,748**	47,498	**60,744**	47,498
Trade	**8,169**	18,600	**7,814**	18,600
Transport and Communication	**10,969**	3,396	**10,969**	3,396
Mining and quarrying	**1,011**	3,396	**1,011**	3,396
Electricity	**10**	25,397	**10**	25,397
Building and Construction	**5,745**	4,714	**5,744**	4,714
Others	**7,365**	7,639	**7,364**	7,203
	146,508	159,071	**146,137**	158,635

Analysis of movement in the ECL for the Group is as follows;

GROUP				In TZS' Million
Year ended 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
At 1 January 2020	**46,446**	**10,704**	**101,921**	**159,071**
Charge for the period	**190**	**9,761**	**77,582**	**87,533**
Write-offs	**(7,891)**	**(8,185)**	**(84,020)**	**(100,096)**
	38,745	**12,280**	**95,483**	**146,508**
Year ended 31 December 2019				
At 1 January 2019 (restated)	59,001	6,761	120,883	186,645
Charge for the period	(7,147)	5,512	98,991	97,356
Write-offs	(5,408)	(1,569)	(117,953)	(124,930)
	46,446	10,704	101,921	159,071

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Impairment charge to profit or loss related to loans and advances to customers is broken down as follows;

GROUP				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Impairment charges for credit losses	**190**	**9,761**	**77,582**	**87,533**
Amount recovered during the year	**-**	**-**	**(13,071)**	**(13,071)**
Charge to profit or loss	**190**	**9,761**	**64,511**	**74,462**
31 December 2019				
Impairment charges for credit losses	(7,147)	5,512	98,991	97,356
Loan terms modification	-	-	5,732	5,732
Amount recovered during the year	-	-	(7,074)	(7,074)
Charge to profit or loss	(7,147)	5,512	97,649	96,014

Analysis of movement in the ECL for the Bank is as follows;

BANK				In TZS' Million
Year ended 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
At 1 January 2020	**46,258**	**10,701**	**101,676**	**158,635**
Charge for the period	**363**	**9,764**	**76,820**	**86,947**
Write-offs	**(7,890)**	**(8,186)**	**(83,369)**	**(99,445)**
	38,731	**12,279**	**95,127**	**146,137**
Year ended 31 December 2019				
At 1 January 2019	58,824	6,752	120,849	186,425
Charge for the period	(7,438)	5,509	98,747	96,818
Write-offs	(5,128)	(1,560)	(117,920)	(124,608)
	46,258	10,701	101,676	158,635

Impairment charge to profit or loss related to loans and advances to customers is broken down as follows;

BANK				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Impairment charges for credit losses	**363**	**9,764**	**76,820**	**86,947**
Amount recovered during the year	**-**	**-**	**(12,800)**	**(12,800)**
Charge to profit or loss	**363**	**9,764**	**64,020**	**74,147**
31 December 2019				
Impairment charges for credit losses	(7,438)	5,509	98,747	96,818
Loan terms modification	-	-	5,732	5,732
Amount recovered during the year	-	-	(6,552)	(6,552)
Charge to profit or loss	(7,438)	5,509	97,927	95,998

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 OFF-BALANCE SHEET FINANCIAL ASSETS

An analysis of Off-balance sheet items based on internal rating for the Group are summarised as follows:

GROUP				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**1,569,510**	**-**	**-**	**1,569,510**
Especially mentioned	**-**	**-**	**-**	**-**
Sub-standard	**-**	**-**	**-**	**-**
Doubtful	**-**	**-**	**-**	**-**
Loss	**-**	**-**	**-**	**-**
Gross Carrying amount	**1,569,510**	**-**	**-**	**1,569,510**
Less: Allowance for ECL	**(169)**	**-**	**-**	**(169)**
Net Off-balance sheet financial assets	**1,563,226**	**-**	**-**	**1,563,226**
31 December 2019				
Current	1,543,213	-	-	1,543,213
Especially mentioned	-	-	-	-
Sub-standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross Carrying amount	1,543,213	-	-	1,543,213
Less: Allowance for ECL	(114)	-	-	(114)
Net Off-balance sheet financial assets	1,543,099	-	-	1,543,099

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 OFF-BALANCE SHEET FINANCIAL ASSETS

An analysis of Off-balance sheet items based on internal rating for the Bank are summarised as follows:

BANK				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**1,560,456**	**-**	**-**	**1,560,456**
Especially mentioned	**-**	**-**	**-**	**-**
Sub-standard	**-**	**-**	**-**	**-**
Doubtful	**-**	**-**	**-**	**-**
Loss	**-**	**-**	**-**	**-**
Gross Carrying amount	**1,560,456**	**-**	**-**	**1,560,456**
Less: Allowance for ECL	**(168)**	**-**	**-**	**(168)**
Net Off-balance sheet financial assets	**1,560,288**	**-**	**-**	**1,560,288**
31 December 2019				
Current	1,542,715	-	-	1,542,715
Especially mentioned	-	-	-	-
Sub-standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross Carrying amount	1,542,715	-	-	1,542,715
Less: Allowance for ECL	(113)	-	-	(113)
Net Off-balance sheet financial assets	1,542,602	-	-	1,542,602

An analysis of changes in the exposure amount in relation to the Group's financial guarantees is, as follows:

GROUP				In TZS' Million
Year ended 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financial guarantees				
Exposure amount as at 1 January 2020	**1,218,686**	**-**	**-**	**1,218,686**
New exposures	**206,834**	**-**	**-**	**206,834**
Exposures derecognised/ matured	**(202,020)**	**-**	**-**	**(202,020)**
Exposure amount as at 31 December 2020	**1,223,500**	**-**	**-**	**1,223,500**
Loss allowance as at 31 December 2020	**155**	**-**	**-**	**155**
Year ended 31 December 2019				
Exposure amount as at 1 January 2019	450,338	-	-	450,338
New exposures	1,178,632	-	-	1,178,632
Exposures derecognised/ matured	(410,284)	-	-	(410,284)
Exposure amount as at 31 December 2019	1,218,686	-	-	1,218,686
Loss allowance as at 31 December 2019	58	-	-	58

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 OFF-BALANCE SHEET FINANCIAL ASSETS (CONTINUED)

An analysis of changes in the exposure amount in relation to the Bank's financial guarantees is, as follows:

BANK Year ended 31 December 2020	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Financial guarantees				
Exposure amount as at 1 January 2020	**1,218,357**	**-**	**-**	**1,218,357**
New exposures	**204,935**	**-**	**-**	**204,935**
Exposures derecognised/ matured	**(202,020)**	**-**	**-**	**(202,020)**
Exposure amount as at 31 December 2020	**1,221,272**	**-**	**-**	**1,221,272**
Loss allowance as at 31 December 2020	**154**	**-**	**-**	**154**
Year ended 31 December 2019				
Exposure amount as at 1 January 2019	450,337	-	-	450,337
New exposures	1,247,767	-	-	1,247,767
Exposures derecognised/ matured	(410,284)	-	-	(410,284)
Exposure amount as at 31 December 2019	1,287,820	-	-	1,287,820
Loss allowance as at 31 December 2019	58	-	-	58

An analysis of changes in the exposure amount in relation to the Group's letters of credit is, as follows:

GROUP Year ended 31 December 2020	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Letters of credit				
Exposure amount as at 1 January 2020	**187,598**	**-**	**-**	**187,598**
New exposures	**123,579**	**-**	**-**	**123,579**
Exposures derecognised/ matured	**(174,347)**	**-**	**-**	**(174,347)**
Exposure amount as at 31 December 2020	**136,830**	**-**	**-**	**136,830**
Loss allowance as at 31 December 2020	**14**	**-**	**-**	**14**
Year ended 31 December 2019				
Exposure amount as at 1 January 2019	146,779	-	-	146,779
New exposures	187,587	-	-	187,587
Exposures derecognised/ matured	(146,768)	-	-	(146,768)
Exposure amount as at 31 December 2019	187,598	-	-	187,598
Loss allowance as at 31 December 2019	56	-	-	56

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 OFF-BALANCE SHEET FINANCIAL ASSETS (CONTINUED)

An analysis of changes in the exposure amount in relation to the Bank's Off-balance sheet items is, as follows:

BANK				In TZS' Million
Year ended 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Letters of credit				
Exposure amount as at 1 January 2020	**187,598**	**-**	**-**	**187,598**
New exposures	**122,281**	**-**	**-**	**122,281**
Exposures derecognised/ matured	**(174,347)**	**-**	**-**	**(174,347)**
Exposure amount as at 31 December 2020	**135,532**	**-**	**-**	**135,532**
Loss allowance as at 31 December 2020	**14**	**-**	**-**	**14**
Year ended 31 December 2019				
Exposure amount as at 1 January 2019	146,779	-	-	146,779
New exposures	187,587	-	-	187,587
Exposures derecognised/ matured	(146,768)	-	-	(146,768)
Exposure amount as at 31 December 2019	187,598	-	-	187,598
Loss allowance as at 31 December 2019	55	-	-	55

An analysis of changes in the exposure amount in relation to the Group's commitment to extend credit is, as follows:

GROUP				In TZS' Million
Year ended 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Commitment to extend credit				
Exposure amount as at 1 January 2020	**164,623**	**-**	**-**	**164,623**
New exposures	**209,180**	**-**	**-**	**209,180**
Exposures derecognised/ matured	**(164,623)**	**-**	**-**	**(164,623)**
Exposure amount as at 31 December 2020	**209,180**	**-**	**-**	**209,180**
Loss allowance as at 31 December 2020	**8,515**	**-**	**-**	**8,515**
Year ended 31 December 2019				
Exposure amount as at 1 January 2019	97,972	-	-	97,972
New exposures	66,651	-	-	66,651
Exposures derecognised/ matured	-	-	-	-
Exposure amount as at 31 December 2019	164,623	-	-	164,623
Loss allowance as at 31 December 2019	6,723	-	-	6,723

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 OFF-BALANCE SHEET FINANCIAL ASSETS (CONTINUED)

An analysis of changes in the exposure amount in relation to the Bank's commitment to extend credit is, as follows:

BANK				In TZS' Million
Year ended 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Commitment to extend credit				
Exposure amount as at 1 January 2020	**160,798**	**-**	**-**	**160,798**
New exposures	**203,652**	**-**	**-**	**203,652**
Exposures derecognised/ matured	**(160,798)**	**-**	**-**	**(160,798)**
Exposure amount as at 31 December 2020	**203,652**	**-**	**-**	**203,652**
Loss allowance as at 31 December 2020	**8,515**	**-**	**-**	**8,515**
Year ended 31 December 2019				
Exposure amount as at 1 January 2019	97,972	-	-	97,972
New exposures	62,826	-	-	62,826
Exposures derecognised/ matured	-	-	-	-
Exposure amount as at 31 December 2019	160,798	-	-	160,798
Loss allowance as at 31 December 2019	6,723	-	-	6,723

An analysis of movement of ECL in relation to the Group's financial guarantees is, as follows:

GROUP				In TZS' Million
Year ended 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financial guarantees				
Loss allowance as at 1 January 2020	**58**	**-**	**-**	**58**
New exposures	**132**	**-**	**-**	**132**
Exposures derecognised/ matured	**(35)**	**-**	**-**	**(35)**
Loss allowance as at 31 December 2020	**155**	**-**	**-**	**155**
Year ended 31 December 2019				
Loss allowance as at 1 January 2019	5,133	-	-	5,133
New exposures	-	-	-	
Exposures derecognised/ matured	(5,075)	-	-	(5,075)
Loss allowance as at 31 December 2019	58	-	-	58

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 OFF-BALANCE SHEET FINANCIAL ASSETS (CONTINUED)

An analysis of movement of ECL in relation to the Bank's financial guarantees is, as follows:

BANK				In TZS' Million
Year ended 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financial guarantees				
Loss allowance as at 1 January 2020	**58**	**-**	**-**	**58**
New exposures	**131**	**-**	**-**	**131**
Exposures derecognised/ matured	**(35)**	**-**	**-**	**(35)**
Loss allowance as at 31 December 2020	**154**	**-**	**-**	**154**
Year ended 31 December 2019				
Loss allowance as at 1 January 2019	5,133	-	-	5,133
New exposures	-	-	-	
Exposures derecognised/ matured	(5,075)	-	-	(5,075)
Loss allowance as at 31 December 2019	58	-	-	58

An analysis of movement of ECL in relation to the Group's letters of credit is, as follows:

GROUP				In TZS' Million
Year ended 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Letters of credit				
Loss allowance as at 1 January 2020	**56**	**-**	**-**	**56**
New exposures	**(13)**	**-**	**-**	**(13)**
Exposures derecognised/ matured	**(29)**	**-**	**-**	**(29)**
Loss allowance as at 31 December 2020	**14**	**-**	**-**	**14**
Year ended 31 December 2019				
Loss allowance as at 1 January 2019	5,222	-	-	5,222
New exposures	-	-	-	
Exposures derecognised/ matured	(5,109)	-	-	(5,109)
Loss allowance as at 31 December 2019	113	-	-	113

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 OFF-BALANCE SHEET FINANCIAL ASSETS (CONTINUED)

An analysis of movement of ECL in relation to the Bank's letters of credit is, as follows:

BANK				In TZS' Million
Year ended 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Letters of credit				
Loss allowance as at 1 January 2020	**55**	**-**	**-**	**55**
New exposures	**(12)**	**-**	**-**	**(12)**
Exposures derecognised/ matured	**(29)**	**-**	**-**	**(29)**
Loss allowance as at 31 December 2020	**14**	**-**	**-**	**14**
Year ended 31 December 2019				
Loss allowance as at 1 January 2019	5,222	-	-	5,222
New exposures	-	-	-	
Exposures derecognised/ matured	(5,109)	-	-	(5,109)
Loss allowance as at 31 December 2019	113	-	-	113

ECL relating to commitment to extend credit has been included in the ECL for Loans and advances to customers.

30 CREDIT CARDS

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to credit cards is, as follows;

				In TZS' Million
	GROUP		**BANK**	
	2020	**2019**	**2020**	**2019**
Carrying amount	**1,919**	1,335	**1,919**	1,335
Less: Allowance for ECL	**(1,390)**	(23)	**(1,390)**	(23)
Net Credit cards	**529**	1,312	**529**	1,312

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 CREDIT CARDS (CONTINUED)

An analysis of credit cards based on internal rating are summarised as follows:

GROUP AND BANK				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**515**	**-**	**-**	**515**
Especially mentioned	**-**	**35**	**-**	**35**
Sub-standard	**-**	**81**	**-**	**81**
Doubtful	**-**	**-**	**-**	**-**
Loss	**-**	**-**	**1,288**	**1,288**
Gross Carrying amount	**515**	**116**	**1,288**	**1,919**
Less: Allowance for ECL	**(10)**	**(92)**	**(1,288)**	**(1,390)**
Net Credit cards	**505**	**24**	**-**	**529**
31 December 2019				
Current	1,335	-	-	1,335
Especially mentioned	-	-	-	-
Sub-standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross Carrying amount	1,335	-	-	1,335
Less: Allowance for ECL	(23)	-	-	(23)
Net Credit cards	1,312	-	-	1,312

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 CREDIT CARDS (CONTINUED)

An analysis of changes in the gross carrying amount in relation to credit cards is, as follows:

GROUP AND BANK				In TZS' Million
Year ended 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2020	**1,335**	**-**	**-**	**1,335**
Changes in the gross carrying amount				
-Transfer to stage 1	**-**	**-**	**-**	**-**
-Transfer to stage 2	**(47)**	**47**	**-**	**-**
-Transfer to stage 3	**(1,288)**	**-**	**1,288**	**-**
New financial assets purchased	**4,004**	**69**	**-**	**4,073**
Accrued interest	**14**	**-**	**-**	**14**
Payments received and financial assets derecognised	**(3,503)**	**-**	**-**	**(3,503)**
Gross carrying amount as at 31 December 2020	**515**	**116**	**1,288**	**1,919**
Loss allowance as at 31 December 2020	**10**	**92**	**1,288**	**1,390**
Year ended 31 December 2019				
Gross carrying amount as at 1 January 2019	551	-	-	551
Changes in the gross carrying amount				
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	-	-	-	-
-Transfer to stage 3	-	-	-	-
New financial assets purchased	4,920	-	-	4,920
Accrued interest	11	-	-	11
Payments received and financial assets derecognised	(4,147)	-	-	(4,147)
Gross carrying amount as at 31 December 2019	1,335	-	-	1,335
Loss allowance as at 31 December 2019	23	-	-	23

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 CREDIT CARDS (CONTINUED)

An analysis of changes in the corresponding ECL allowances in relation to credit cards is, as follows:

GROUP AND BANK				In TZS' Million
Year ended 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January 2020	**23**	**-**	**-**	**23**
Change in the loss allowance				
-Transfer to stage 1	**-**	**-**	**-**	**-**
-Transfer to stage 2	**-**	**-**	**-**	**-**
-Transfer to stage 3	**(23)**	**-**	**23**	**-**
New financial assets purchased	**10**	**92**	**-**	**102**
Impact on ECL transfers	**-**	**-**	**1,265**	**1,265**
New financial assets originated or purchased	**-**	**-**	**-**	**-**
Loss allowance as at 31 December 2020	**10**	**92**	**1,288**	**1,390**
Year ended 31 December 2019				
Loss allowance as at 1 January 2019	31	-	-	31
Change in the loss allowance				
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	-	-	-	-
-Transfer to stage 3	-	-	-	-
New financial assets purchased	(8)	-	-	(8)
Loss allowance as at 31 December 2019	23	-	-	23

Increase in ECL is due to significant increase in credit risk during the year which resulted in the movement of the significant amount of the portfolio from stage 1 to stage 3.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 CREDIT LOSS EXPENSE

GROUP					In TZS' Million
31 December 2020		**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers	(Note 28)	**190**	**9,761**	**64,511**	**74,462**
Debt instruments	(Note 25)	**(3,725)**	**-**	**-**	**(3,725)**
Placements with other banks	(Note 27)	**906**	**-**	**-**	**906**
Credit cards	(Note 30)	**1,367**	**-**	**-**	**1,367**
Off-balance sheet items	(Note 29)	**55**	**-**	**-**	**55**
		(1,207)	**9,761**	**64,511**	**73,065**
31 December 2019					
Loans and advances to customers	(Note 28)	(7,626)	5,503	98,137	96,014
Debt instruments	(Note 25)	348	-	-	348
Placements with other banks	(Note 27)	258	-	-	258
Credit cards	(Note 30)	(8)	-	-	(8)
Off-balance sheet items	(Note 29)	(5,109)	-	-	(5,109)
		(12,137)	5,503	98,137	91,503

BANK					In TZS' Million
31 December 2020		**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers	(Note 28)	**363**	**9,764**	**64,020**	**74,147**
Debt instruments	(Note 25)	**(3,725)**	**-**	**-**	**(3,725)**
Placements with other banks	(Note 27)	**906**	**-**	**-**	**906**
Credit cards	(Note 30)	**1,367**	**-**	**-**	**1,367**
Off-balance sheet items	(Note 29)	**55**	**-**	**-**	**55**
		(1,034)	**9,764**	**64,020**	**72,750**
31 December 2019					
Loans and advances to customers	(Note 28)	(7,648)	5,509	98,137	95,998
Debt instruments	(Note 25)	348	-	-	348
Placements with other banks	(Note 27)	258	-	-	258
Credit cards	(Note 30)	(8)	-	-	(8)
Off-balance sheet items	(Note 29)	(5,109)	-	-	(5,109)
		(12,159)	5,509	98,137	91,487

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32 NON CURRENT ASSETS HELD FOR SALE

				In TZS' Million
	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
Land and Equipment				
Carrying value as at 1 January	**16,600**	16,600	**16,600**	16,600
Additions	**-**	-	**-**	-
Carrying value as at 31 December	**16,600**	16,600	**16,600**	16,600

The carrying value is based on the price offered by a counterparty net of selling cost for which the transaction has significantly progressed. Sale of the property is expected to be completed before the end of December 2021. There is no impairment or reversal recorded against the non-current assets held for sale. There were no additions during the year.

33 EQUITY INVESTMENTS AT FVOCI

				In TZS' Million
	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
Investment in Tanzania Mortgage Refinance Company (TMRC)	**3,795**	4,652	**3,795**	4,652
Investment in Dar es Salaam Stock Exchange (DSE)	**288**	321	**288**	321
Investment in Kilimanjaro Community Bank (KCBL)	**4,404**	-	**4,404**	-
Burundi National switch	**136**	122	**-**	-
	8,623	5,095	**8,487**	4,973

Tanzania Mortgage Refinance Company (TMRC) is a private sector institution owned by banks with the sole purpose of supporting banks to do mortgage lending by refinancing Banks' mortgage portfolios. The percentage shareholding of the Bank in TMRC as at 31 December 2020 was 17.14% (2019: 17.14%).

Dar es Salaam Stock Exchange (DSE) is a stock exchange located in Dar es Salaam, incorporated in September 1996 and trading started in April 1998. The activities of the exchange are monitored and supervised by the Capital Market and Securities Authority (CMSA). The percentage shareholding of the Bank in DSE as at 31 December 2020 was 1.6% (2019: 1.6%).

Kilimanjaro Cooperative Bank Limited (KCBL) was registered under the Cooperative Societies Act, 1991 (Revised in 2003 and 2013) and was granted banking license no. CBA 008 on 4th August 1995 to operate as a community bank in Kilimanjaro Region. The bank started operations on 10th July 1996, becoming the first Cooperative Bank in the country, 100% owned by Tanzanians. The bank's target market are individuals and cooperative societies including AMCOS and SACCOS. The percentage shareholding of the Bank in KCBL as at 31 December 2020 was 51% (2019: Nil). During the year the Bank invested TZS 7 billion in KCBL to support the liquidity of the bank and revive its operations.

Burundi National switch is a company limited by shares whose shareholders are the members of the Burundi Bankers Association and the Bank of Republic of Burundi. The percentage shareholding of the Group in Burundi National switch as at 31 December 2020 was 0.52% (2019: Nil).

The FVOCI designation was made because the investments are expected to be held for the long term for strategic purposes.

In 2020, the Group and Bank received dividends of TZS 30 million (2019: Nil) from its FVOCI equities which was recorded in the statement of profit or loss as other operating income. The Bank did not dispose of or derecognize any FVOCI equity instruments in 2020. The Bank did not have any debt instruments measured at FVOCI which were pledged as collateral as at 31 December 2020 (2019: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 EQUITY INVESTMENTS AT FVOCI (CONTINUED)

The fair value of unquoted equity investments (KCBL) are estimated using discounted cash flow techniques. The following methods and assumptions were used to estimate fair values:

- The cash flow projection of the investment for the remaining period has been considered as at 31 December 2020;
- A discount rate of 16% per annum as a weighted average lending rate and average Treasury bond rate between 2-5 years.

The Group held the following shares in the above equity investment as at 31 December 2020:

Investment	Number of shares	Value of shares In TZS' Million
Tanzania Mortgage Refinance Company (TMRC)	3,000,000	3,795
Dar es Salaam Stock Exchange (DSE)	327,632	288
Burundi National switch	10,000	136
Kilimanjaro Cooperative Bank (KCBL)*	1,400,000	4,404

* The shares held by the Group in KCBL are preference shares.

34 EQUITY INVESTMENTS AT FVPL

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
At 1 January	**3,040**	2,661	**3,040**	2,661
Additions	**-**	-	**-**	-
Revaluation gain/ (loss)	**(485)**	379	**(485)**	379
At 31 December	**2,555**	3,040	**2,555**	3,040

TACOBA is the community Bank limited by shares operating in Tandahimba district council, Mtwara region since 2008. The Bank has more than 5,800 customers as at 31 December 2020, mainly being savings and time deposits. The percentage shareholding of the Bank in TACOBA as at 31 December 2020 was 7.7% (2019: 7.7%). The Group holds 3,200 million preference shares and 100,000 ordinary shares of TACOBA with a total value of TZS 2,555 million (2019 : TZS 3,040 million). The cumulative change in fair value of the financial assets at FVPL to changes in market condition since the financial asset was designated amounts to a loss of TZS 645 million (2019: loss of TZS 160 million) and the change for the current year is a loss of TZS 485 million (2019: gain TZS 379 million). Management elected the designation of the equity investment at FVPL since initial recognition as required by IFRS 9 and no changes of classification at the reporting date. The equity investment is not held for trading.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 OTHER ASSETS

				In TZS' Million
	GROUP		BANK	
	2020	2019	**2020**	2019
Advance payment for capital expenditure	**11,192**	9,721	**11,187**	9,721
Prepaid expenses	**98,366**	92,443	**94,943**	88,361
Bank card stock	**2,057**	1,156	**2,057**	1,156
Stationery stock	**2,194**	2,118	**2,194**	2,118
Due from a related party (Note 54)*	**-**	-	**1,502**	289
Receivable from mobile phone companies*	**92,030**	78,751	**92,030**	78,751
Other receivables*	**28,488**	34,058	**28,518**	32,360
Less: Provision for impairment	**(25,730)**	(14,969)	**(25,556)**	(12,927)
	208,597	203,278	**206,875**	199,829

*Receivables under the scope of IFRS 9.

Provision for impairment is made for assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Within 'Other receivables', includes receivables of fees and commissions of TZS 2,775 million (2019: TZS 3,244 million) which represent the Bank's right to an amount of consideration that is unconditional, only the passage of time is required before payment of the consideration is due. These are measured at amortised cost and subject to the impairment provisions of IFRS 9. As at 31 December 2020, the impairment provisions which relates to these receivable is TZS 611 million (2019: TZS 129 million).

As at 31 December 2020 the Group had no contract assets (2019: Nil)

All other assets are current.

GROUP				In TZS' Million
	2020		2019	
	Within 3 months	3 -12 months	Within 3 months	3 -12 months
Maturity analysis				
Advance payment for capital expenditure	**-**	**11,192**	-	9,721
Prepaid expenses	**98,366**	**-**	92,443	-
Bank card stock	**2,057**	**-**	1,156	-
Stationery stock	**2,194**	**-**	2,118	-
Receivable from mobile phone companies*	**92,030**	**-**	78,751	-
Other receivables*	**28,488**	**-**	34,058	-
Less: Provision for impairment	**(25,730)**	**-**	(14,969)	-
	197,405	**11,192**	193,557	9,721

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 OTHER ASSETS (CONTINUED)

BANK				In TZS' Million
	2020		2019	
	Within 3 months	3 -12 months	Within 3 months	3 -12 months
Maturity analysis				
Advance payment for capital expenditure	**-**	**11,187**	-	9,721
Prepaid expenses	**94,943**	**-**	88,361	-
Bank card stock	**2,057**	**-**	1,156	-
Stationery stock	**2,194**	**-**	2,118	-
Due from a related party (Note 54)	**1,502**	**-**	289	-
Receivable from mobile phone companies*	**92,030**	**-**	78,751	-
Other receivables*	**28,158**	**-**	32,360	-
Less: Provision for impairment	**(25,556)**	**-**	(12,927)	-
	195,688	**11,187**	190,108	9,721

Movement in provision for impairment on other assets is as shown below:

	GROUP		BANK	
In TZS' Million	**2020**	**2019**	**2020**	**2019**
At 1 January	**14,969**	13,433	**12,927**	12,760
Increase during the year	**15,021**	10,186	**15,021**	8,467
Write-offs	**(4,620)**	(8,650)	**(2,392)**	(8,300)
At 31 December	**25,730**	14,969	**25,556**	12,927

Historical loss rate used for the ECL Simplified Approach:

The Bank has used a simplified approach to estimate the ECL for receivables in scope of IFRS 9. The simplified approach used requires the bank to derive the loss rate after considering the payments received in respect to at least prior 12 months receivables. That being the case; ECL for the period as at December 2020 is based on the payments that the bank has received in the year 2020 in respect to December 2019 receivables and forward-looking information.

The nature of other assets held by the Bank in the current period had no adverse material impact as a result of COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 OTHER ASSETS (CONTINUED)

An analysis of other assets based on internal rating are summarised as follows:

GROUP				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**208,580**	**-**	**-**	**208,580**
Especially mentioned	**-**	**6,841**	**-**	**6,841**
Sub-standard	**-**	**-**	**1,050**	**1,050**
Doubtful	**-**	**-**	**3,726**	**3,726**
Loss	**-**	**-**	**14,129**	**14,129**
Gross Carrying amount	**208,580**	**6,841**	**18,905**	**234,326**
Less: Allowance for ECL	**(7,353)**	**(218)**	**(18,158)**	**(25,729)**
Net Carrying amount	**201,227**	**6,623**	**747**	**208,597**
31 December 2019				
Current	201,150	-	-	201,150
Especially mentioned	-	834	-	834
Sub-standard	-	-	209	209
Doubtful	-	-	2,184	2,184
Loss	-	-	13,869	13,869
Gross Carrying amount	201,150	834	16,262	218,246
Less: Allowance for ECL	(856)	(11)	(14,101)	(14,968)
Net Carrying amount	200,294	823	2,161	203,278

BANK				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**206,685**	**-**	**-**	**206,685**
Especially mentioned	**-**	**6,841**	**-**	**6,841**
Sub-standard	**-**	**-**	**1,050**	**1,050**
Doubtful	**-**	**-**	**3,725**	**3,725**
Loss	**-**	**-**	**14,129**	**14,129**
Gross Carrying amount	**206,685**	**6,841**	**18,904**	**232,430**
Less: Allowance for ECL	**(7,179)**	**(218)**	**(18,158)**	**(25,555)**
Net Carrying amount	**199,506**	**6,623**	**746**	**206,875**
31 December 2019				
Current	197,499	-	-	197,499
Especially mentioned	-	834	-	834
Sub-standard	-	-	209	209
Doubtful	-	-	2,184	2,184
Loss	-	-	12,029	12,029
Gross Carrying amount	197,499	834	14,422	212,755
Less: Allowance for ECL	(654)	(11)	(12,261)	(12,926)
Net Carrying amount	196,845	823	2,161	199,829

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36 INVESTMENT IN SUBSIDIARIES

			In TZS' Million	
	Incorporation	**Held %**	**2020**	**2019**
CRDB Microfinance Service Company Limited (MFSCL)*	Tanzania	100%	**-**	728
CRDB Insurance broker	Tanzania	100%	**100**	100
CRDB Bank Burundi S.A	Burundi	100%	**21,583**	21,583
			21,683	22,411

*During the year the Group winded-up its subsidiary 'CRDB Microfinance Services Company Limited' by transferring subsidiary's operations to the parent under Retail banking in line with the Group's strategy. Consequently, all assets and liabilities allocated to the subsidiary including staff were transferred to parent. Gain from the winding up of the subsidiary is recognized in the statement of profit or loss under 'Other income'.

Carrying amounts of net assets of CRDB MFSCL which was liquidated during the year under review

	TZS' Million
Total assets	**3,614,122**
Total liabilities	**(549,865)**
Net assets derecognised	**3,064,257**

- The countries of incorporation are also their principal place of business.
- All subsidiaries are unlisted and have the same financial statement date (31 December) as the parent. The investment in the subsidiaries includes the cost of shares and other initial payments made for the subsidiaries.
- The subsidiaries listed above has share capital consisting solely of ordinary shares.
- During the year, there were no significant judgements and assumptions made in determining the Bank's interest in the subsidiary.
- There are no protective rights of the subsidiaries which can significantly restrict the parent from accessing or using the assets and settling the liabilities of the Group.
- There are no contingent liabilities relating to the Bank's interest in the subsidiaries during the year.
- During the year, the Group had no structured entity.

Restrictions

- During the year there were no significant restrictions (statutory, contractual or regulatory) of a parent or its subsidiaries to transfer cash or other assets to or from other entities within a Group.
- There were no guarantees or other requirements that could restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the group.
- There are no protective rights of non-controlling interests that can significantly restrict the entity's ability to access or use the assets and settle the liabilities of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37A PROPERTY AND EQUIPMENT

GROUP								In TZS' Million
31 December 2020	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smartcard equipment	Security equipment	Work in Progress*	Total
Cost								
At 1 January	78,414	95,210	86,603	54,448	57,380	7,194	113,849	493,098
Additions	3,539	6,150	9,227	16,926	10,461	891	41,378	88,572
Reclassification	-	224	611	151	(60)	20	(946)	-
Disposals	-	(699)	(507)	(225)	(47)	-	-	(1,478)
Exchange rate difference**	-	(83)	(29)	34	62	-	-	(16)
At 31 December	81,953	100,802	95,905	71,334	67,796	8,105	154,281	580,176
Depreciation								
At 1 January	(24,297)	(52,485)	(59,272)	(42,846)	(28,751)	(5,494)	-	(213,145)
Charge for the year	(1,725)	(7,413)	(10,015)	(6,247)	(6,297)	(1,038)	-	(32,735)
Reclassification	11	(19)	(17)	(2)	40	(13)	-	-
Disposal	-	624	472	223	32	-	-	1,351
At 31 December	(26,011)	(59,293)	(68,832)	(48,872)	(34,976)	(6,545)	-	(244,529)
Net book value	55,942	41,509	27,073	22,462	32,820	1,560	154,281	335,647

*Work in progress relates to the Bank's buildings under construction and other PPE.

** Net exchange differences arising on the translation of financial statement of CRDB Burundi (BIF) into the presentation currency (TZS).

Management has assessed the impairment of property, land and equipment, there were no impairment recognized or reversed during the year despite the outbreak of COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37A PROPERTY AND EQUIPMENT (CONTINUED)

GROUP								In TZS' Million
31 December 2019	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smartcard equipment	Security equipment	Work in Progress*	Total
Cost								
At 1 January	73,412	91,936	83,287	51,603	47,620	6,580	107,141	461,579
Additions	1,003	2,472	6,162	2,761	10,400	610	9,700	33,108
Reclassification	3,999	1,565	(2,678)	102	-	4	(2,992)	-
Disposals	-	(372)	(160)	(16)	(637)	-	-	(1,184)
Exchange rate difference**	-	(391)	(8)	(2)	(3)	-	-	(404)
At 31 December	78,414	95,210	86,603	54,448	57,380	7,194	113,849	493,098
Depreciation								
At 1 January	(21,441)	(44,494)	(52,422)	(36,184)	(24,148)	(4,387)	-	(183,076)
Charge for the year	(1,645)	(7,575)	(8,968)	(6,673)	(5,135)	(1,105)	-	(31,101)
Reclassification	(1,211)	(751)	1,966	(4)	-	-	-	-
Disposal	-	335	153	15	532	-	-	1,035
At 31 December	(24,297)	(52,485)	(59,271)	(42,846)	(28,751)	(5,492)	-	(213,142)
Net book value	54,117	42,725	27,332	11,602	28,629	1,702	113,849	279,956

*Work in progress relates to the Bank's buildings under construction and other PPE.

** Net exchange differences arising on the translation of financial statement of CRDB Burundi (BIF) into the presentation currency (TZS).

Management has assessed the impairment of property, land and equipment, there were no impairment recognized or reversed during the year despite the outbreak of COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37A PROPERTY AND EQUIPMENT (CONTINUED)

BANK								In TZS' Million
31 December 2020	**Land & buildings**	**Leasehold improvement**	**Office equipment**	**Computer equipment**	**Smart card equipment**	**Security equipment**	**Work in Progress***	**Total**
Cost								
At 1 January	69,437	91,301	83,605	53,804	57,240	7,193	113,046	475,626
Additions	3,563	4,566	7,980	16,779	10,119	891	41,985	85,883
Reclassification	-	224	611	151	(60)	20	224	-
Disposals	-	(699)	(507)	(225)	(47)	-	-	(1,478)
At 31 December	73,000	95,392	91,689	70,509	67,252	8,104	154,085	560,031
Depreciation								
At 1 January	(15,320)	(57,660)	(56,683)	(42,336)	(28,590)	(5,494)	-	(206,083)
Charge for the year	(1,725)	(6,981)	(9,879)	(6,191)	(6,278)	(1,038)	-	(32,092)
Reclassification	11	(19)	(17)	(2)	40	(13)	-	-
Disposals	-	624	472	223	32	-	-	1,351
At 31 December	(17,034)	(64,036)	(66,107)	(48,306)	(34,796)	(6,545)	-	(236,824)
Net book value	55,966	31,356	25,582	22,203	32,456	1,559	154,085	323,207

*Work in progress relates to the Bank's buildings under construction and other PPE.

Management has assessed the impairment of property, land and equipment, there were no impairment recognized or reversed during the year despite the outbreak of COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37A PROPERTY AND EQUIPMENT (CONTINUED)

BANK								In TZS' Million
31 December 2019	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smart card equipment	Security equipment	Work in Progress*	Total
Cost								
At 1 January	64,435	87,680	80,431	50,965	47,413	6,579	106,338	443,841
Additions	1,003	2,428	6,012	2,753	10,400	610	9,700	32,906
Reclassification	3,999	1,565	(2,678)	102	-	4	(2,992)	-
Disposals	-	(372)	(160)	(16)	(573)	-	-	(1,121)
At 31 December	69,437	91,301	83,605	53,804	57,240	7,193	113,046	475,626
Depreciation								
At 1 January	(12,464)	(50,128)	(50,034)	(35,725)	(24,006)	(4,389)	-	(176,746)
Charge for the year	(1,645)	(7,072)	(8,812)	(6,622)	(5,116)	(1,105)	-	(30,372)
Reclassification	(1,211)	(795)	2,010	(4)	-	-	-	-
Disposals	-	335	153	15	532	-	-	1,035
At 31 December	(15,320)	(57,660)	(56,683)	(42,336)	(28,590)	(5,494)	-	(206,083)
Net book value	54,117	33,641	26,922	11,468	28,650	1,699	113,046	269,543

*Work in progress relates to the Bank's buildings under construction and other PPE.

Management has assessed the impairment of property, land and equipment, there were no impairment recognized or reversed during the year despite the outbreak of COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37B MOTOR VEHICLES AND MOBILE BRANCHES

In TZS' Million

	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
Cost				
At 1 January	**16,328**	32,831	**13,570**	30,133
Additions	**6,337**	3,250	**5,937**	2,777
Disposals	**(891)**	(1,942)	**(483)**	(1,537)
Revaluation adjustment	**1,047**	(17,805)	**1,047**	(17,803)
MFSCL winding up	**(1,506)**	-	**-**	-
Exchange rate difference	**(7)**	(6)	**-**	-
At 31 December	**21,308**	16,328	**20,071**	13,570
Depreciation				
At 1 January	**(1,893)**	(20,961)	**(316)**	(19,445)
Charge for the year	**(2,879)**	(3,876)	**(2,720)**	(3,481)
Disposals	**621**	1,278	**213**	944
MFSCL winding up	**907**	21,666	**-**	21,666
At 31 December	**(3,244)**	(1,893)	**(2,823)**	(316)
Net book value	**18,064**	14,435	**17,248**	13,254

The Group's Mobile branches and Motor vehicles were revalued in August 2019 and December 2019 and January 2020 by independent valuers Coswil Consult Ltd and M & R Agency Limited respectively. The valuers are registered and licensed to conduct valuation. The valuation, which conforms to International Valuation Standards, was determined by comparative method, and the valuation approach adopted was depreciated replacement cost, alternatively second hand markets were visited and comparable sales taken note. The valuation done was due to the fact that the NPV of the valued assets was below market value and the assets are in use and based on assessment done the assets are expecting to have long life.

Replacement method, is based on the rationale that value of vehicle involves the estimation of the cost as if it were new, using the comparison method or the available data. The amount of depreciation and obsolescence is then estimated and deducted from the cost of new vehicle to arrive at the depreciated replacement cost. The resultant figure is now the depreciated replacement cost, which in our case is equated to the market value/fair Value.

The valuation techniques used are the same as those use in previous years. There is no material difference between the fair value of PPE and the carrying amount as per cost model.

If motor vehicles and mobile branches were stated on the historical basis, the amount would be as follows;

In TZS' Million

	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
Cost	**39,171**	35,384	**41,877**	32,670
Accumulated depreciation	**(32,143)**	(29,403)	**934,764)**	(26,760)
Net book value	**7,028**	5,981	**7,113**	5,910

Included in PPE are assets of gross value of TZS 87,374 Million which were fully depreciated but still in use. The national depreciation charge on these assets would have been TZS 13,841 million.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37B MOTOR VEHICLES AND MOBILE BRANCHES

Non-financial assets measured at fair value

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
Fair value hierarchy – Level 3				
At 1 January	**14,435**	11,870	**13,254**	10,688
MFSCL winding up	**(599)**	-	**-**	-
Exchange rate difference	**(7)**	(6)	**-**	-
Purchases	**6,337**	3,250	**5,937**	2,777
Disposals	**(270)**	(664)	**(270)**	(593)
Revaluation gain/(loss)	**1,047**	3,861	**1,047**	3,861
Depreciation charge	**(2,879)**	(3,876)	**(2,720)**	(3,479)
Net book value	**18,064**	14,435	**17,248**	13,254

- As at 31 December 2020, the Group had neither restriction on title nor property and equipment pledged as security for liabilities (2019: Nil).
- There were no capitalized borrowing costs related to the acquisition of property. plant and equipment during the year ended 31 December 2020 (2019: Nil).
- There were no idle assets as at 31 December 2020 (2019: Nil).
- As at 31 December 2020, contractual commitment for the acquisition of property, plant and equipment amount of TZS 10,056 million (2019: TZS 16,920 million) Note 53.
- There were no property, plant and equipment acquired during the year through business combinations.
- Revaluation done during the year was for Motor vehicles and mobile branches.
- There were no other changes under property, plant and equipment during the year.
- As at 31 December 2020, management has assessed impairment of motor vehicles and mobile branches, there were no impairment recognised or reversed during the year despite the outbreak of COVID-19 pandemic.

37C RIGHT-OF-USE OF ASSETS

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
Cost				
At 1 January	**52,351**	49,574	**51,301**	49,574
Additions	**1,464**	2,777	**1,429**	1,727
At 31 December	**53,815**	52,351	**52,730**	51,301
Depreciation				
At 1 January	**(13,176)**	-	**(12,972)**	-
Charge for the year	**(12,961)**	(13,176)	**(12,766)**	(12,972)
At 31 December	**(26,137)**	(13,176)	**(25,738)**	(12,972)
Net book value	**27,678**	39,175	**26,992**	38,329

The Right-of-use of assets includes leases of office spaces at carrying amount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 LEASEHOLD LAND

	GROUP		BANK	In TZS' Million
	2020	**2019**	**2020**	**2019**
Cost				
At 1 January	**11,952**	11,902	**11,952**	11,902
Additions	**-**	50	**-**	50
Transfer	**40**	-	**40**	-
At 31 December	**11,992**	11,952	**11,992**	11,952
Amortization				
At 1 January	**(1,646)**	(1,330)	**(1,646)**	(1,330)
Charge for the year	**(318)**	(316)	**(318)**	(316)
At 31 December	**(1,964)**	(1,646)	**(1,964)**	(1,646)
Net book value	**10,028**	10,306	**10,028**	10,306

Leasehold land relates to advance payments made for the right of occupancy of various portions of leasehold land where the Bank has its business premises.

39 INTANGIBLES ASSETS

	GROUP		BANK	In TZS' Million
	2020	**2019**	**2020**	**2019**
Cost				
At 1 January	**86,269**	82,188	**82,374**	78,347
Additions	**3,980**	4,118	**3,640**	4,027
Disposals / Retirement	**(6,155)**	-	**(6,155)**	-
Exchange rate difference*	**(10)**	(37)	**-**	-
At 31 December	**84,084**	86,269	**79,859**	82,374
Amortization				
At 1 January	**(50,209)**	(39,617)	**(47,116)**	(36,811)
Charge for the year	**(9,826)**	(10,592)	**(9,527)**	(10,305)
Disposals/ Retirement	**5,977**	-	**5,977**	-
At 31 December	**(54,058)**	(50,209)	**(50,666)**	(47,116)
Net book value as at 31st December	**30,026**	36,060	**29,193**	35,258

All intangible assets are in use.

*Net exchange differences arising on the translation of financial statement of a subsidiary – CRDB Burundi (BIF) into the presentation currency (TZS).

Intangible assets relate to computer software used by the Group. Fully amortised intangible assets with gross value TZS 23,582 million (2019: TZS 15,243 million) are still in use. The notional amortisation charge would have been TZS 7,013 million (2019: TZS 3,049 million). Some fully depreciated software's are; PSQL, SAP system, OPICS system, TI Plus and Custody and investment system.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39 INTANGIBLES ASSETS (CONTINUED)

- As at 31 December 2020, included in intangible assets is the Core Banking system which is material with carrying amount of TZS 10,647 million with remaining amortization period of five (5) years.
- No intangible asset was pledged as security for liabilities as at 31 December 2020.
- There also no restrictions other than those outlined in the software license.
- As at 31 December 2020, there were no significant intangible assets controlled by the Group which have not been recognized as assets.
- There was no internally developed software during the year or 2019.
- There were no intangible assets acquired during the year through business combinations.
- No revaluation of intangible assets was done during the year.
- Management has assessed impairment of intangible assets, there were no impaired intangible assets despite the outbreak of COVID-19 pandemic, hence no impairment loss was recognized in the profit or loss during the year.
- During the year there were no intangible assets assessed as having indefinite useful life.
- There were no intangible assets acquired by way of a Government grants during the year.
- As at 31 December 2020, there were no contractual commitments for the acquisition of intangible assets.
- As at 31 December 2020, there were no significant intangible assets controlled by the Group which have not been recognized as assets.

40 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:

				In TZS' Million
	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
At 1 January	**81,950**	86,516	**81,957**	85,087
(Debit)/ Credit to profit or loss				
In respect to current year (Note 21a)	**(21,069)**	(4,463)	**(21,069)**	(4,411)
Under provision in prior year (Note 21a)	**(726)**	(1,854)	**(726)**	(470)
(Debit)/ Credit to OCI				
Charge to other comprehensive income	**(11,516)**	1,751	**(11,515)**	1,751
At 31 December	**48,639**	81,950	**48,647**	81,957

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

40 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax asset/(liability) is attributed to the following items:

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
Accelerated capital allowance	**(11,906)**	(7,434)	**(11,892)**	(8,901)
Provisions	**26,034**	29,933	**26,028**	25,091
ECL	**35,139**	58,470	**35,139**	58,470
Deferred income	**9,757**	6,428	**9,757**	6,428
IFRS 16	**70**	(190)	**70**	(190)
Unrealised gain/(loss) on debt instrument at fair value through OCI	**(20,166)**	(9,624)	**(20,166)**	(7,873)
Unrealised gain/(loss) on equity instrument at fair value through OCI	**779**	-	**779**	-
ECL day 1 adjustment - IAS 39 to IFSR9 transition	**8,932**	8,932	**8,932**	8,932
	48,639	86,515	**48,647**	81,957
Expected to be recovered within 12months	**4,282**	7,216	**4,283**	7,215
Expected to be recovered after 12months	**44,357**	74,734	**44,364**	74,742
	48,639	81,950	**48,647**	81,957

41 DEPOSITS FROM CUSTOMERS

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
Current and demand accounts	**2,367,639**	2,231,679	**2,249,458**	2,165,610
Savings accounts	**2,043,576**	1,869,414	**2,011,762**	1,844,273
Term deposits	**1,023,432**	1,101,154	**972,925**	1,058,960
	5,434,647	5,202,247	**5,234,145**	5,068,843
Current deposits	**5,392,172**	5,159,766	**5,191,670**	5,027,582
Non-current deposits	**42,475**	42,481	**42,475**	41,261
	5,434,647	5,202,247	**5,234,145**	5,068,843

Savings accounts, term deposits and some current and demand deposits are interest bearing accounts. These interest-bearing customer deposit accounts carry variable interest rates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

41 DEPOSITS FROM CUSTOMERS (CONTINUED)

Maturity analysis

GROUP					In TZS' Million
31 December 2020	On demand	Within 3 months	3 -12 months	Over 1 year	Total
Current and demand accounts	**2,367,639**	**-**	**-**	**-**	**2,367,639**
Savings account	**2,043,576**	**-**	**-**	**-**	**2,043,576**
Term deposits	**301,055**	**323,162**	**356,740**	**42,475**	**1,023,432**
	4,712,270	**323,162**	**356,740**	**42,475**	**5,434,647**
31 December 2019					
Current and demand accounts	2,231,679	-	-	-	2,231,679
Savings account	1,869,414	-	-	-	1,869,414
Term deposits	294,927	372,503	391,243	42,481	1,101,154
	4,396,020	372,503	391,243	42,481	5,202,247

BANK					In TZS' Million
31 December 2020	On demand	Within 3 months	3 -12 months	Over 1 year	Total
Current and demand accounts	**2,249,458**	**-**	**-**	**-**	**2,249,458**
Savings account	**2,011,762**	**-**	**-**	**-**	**2,011,762**
Term deposits	**270,548**	**303,162**	**356,740**	**42,475**	**972,925**
	4,531,768	**303,162**	**356,740**	**42,475**	**5,234,145**
31 December 2019					
Current and demand accounts	2,165,610	-	-	-	2,165,610
Savings account	1,844,273	-	-	-	1,844,273
Term deposits	294,566	348,050	375,083	41,261	1,058,960
	4,304,449	348,050	375,083	41,261	5,068,843

42 DEPOSITS FROM BANKS

Deferred income tax asset/(liability) is attributed to the following items:

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
Deposits from banks	**296,212**	25,195	**295,984**	6,498

All deposits from banks are current.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

43A OTHER LIABILITIES

Deferred income tax asset/(liability) is attributed to the following items:

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
Bills payable	**1,382**	1,590	**498**	734
Dividend payable	**9,292**	8,409	**9,292**	8,409
Accrued expenses	**40,469**	48,793	**38,898**	46,794
Due to related parties (Note 54)	**-**	-	**358**	3,635
Deferred income*	**33,279**	21,740	**32,524**	21,428
Outstanding credits	**4,517**	3,464	**4,490**	3,304
Unclaimed customer balances	**18,583**	6,594	**18,224**	6,521
ECL Off-balance sheet items	**168**	114	**168**	113
Other payables	**10,530**	24,107	**12,061**	23,703
	118,220	114,811	**116,513**	114,641

- Bills payable represents Bankers cheques issued to customers that have not yet been presented for payment.
- Dividend payable represents uncollected dividends by the Bank's shareholders.
- Outstanding credits represent suspended customer balances while their Bank accounts are in the process of being opened.
- Other liabilities are expected to be settled within no more than 12 months after the reporting date.
- As at 31 December 2020 the Group had no contract liabilities (2019: Nil)

43B LEASE LIABILITIES

The Group leases various branch premises and offices under non-cancellable lease agreements. The lease terms are between 1 and 7 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. No arrangements have been entered into for contingent rental payments, and also no restrictions have been imposed by these lease arrangements.

The carrying amounts of lease liabilities and the movements during the year is shown below:

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
As at 1 January	**39,778**	49,574	**38,903**	49,574
Additions	**1,971**	1,727	**1,949**	1,727
Interest expense	**2,509**	2,615	**2,461**	2,553
Interest paid	**(2,509)**	(2,615)	**(2,461)**	(2,553)
Principal paid	**(12,131)**	(11,523)	**(12,164)**	(12,398)
At 31 December	**29,618**	39,778	**28,688**	38,903

The Group had total cash outflows for leases of TZS 14,640 million (2019: TZS 14,138)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 PROVISIONS

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
Provision for litigation				
At 1 January	**4,671**	4,041	**4,671**	4,041
Additional provisions	**649**	638	**649**	638
Amount paid in the year	**(1,102)**	(8)	**(1,102)**	(8)
At 31 December	**4,218**	4,671	**4,218**	4,671

As at year end, there were several pending legal cases where the Bank was a defendant. Provision has been made for legal cases where professional advice indicates that it is probable that loss will arise. The directors have considered it probable that the unfavourable outcome of these cases to the Bank could result into an estimated loss of TZS 4,218 million (2019:TZS 4,671 million). For cases whose outcomes are uncertain, contingent liabilities have been considered as disclosed in Note 52. According to the nature of such disputes the outcome and timing of settlement of these cases is uncertain.

In the year ending 31 December 2020, the company did not expect any reimbursement from the amount provided (2019: NIL).

45 GRANTS

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
At 1 January	**7,986**	9,978	**7,922**	9,914
Grant amount utilised	**(1,854)**	(1,622)	**(1,790)**	(1,622)
Write-off against grant receivable	**-**	(370)	**-**	(370)
At 31 December	**6,132**	7,986	**6,132**	7,922

45.1 FSDT GRANTS

At 1 January	**4,864**	5,903	**4,864**	5,903
Grant amount utilised	**(1,205)**	(1,039)	**(1,205)**	(1,039)
At 31 December	**3,659**	4,864	**3,659**	4,864

On 26 May 2008, CRDB Bank Plc signed a four year funding agreement with Financial Sector Deepening Trust of Tanzania (FSDT) amounting to USD 3,806,500 as a grant for strengthening of the Bank's microfinance partner institutions and increase outreach.

The grant was utilized to construct service centres and purchase mobile branches.

There are no conditions attached to the grant during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

45 GRANTS (CONTINUED)

45.2 MASTERCARD GRANT

The grant was received in year 2017 through Banks' liquidated subsidiary (CRDB MFSC Limited), aimed at scaling up of existing or new financial solutions to rural and agricultural markets through SIM Account project. As at 31 December 2020 the amount receivable as per the agreed activities was TZS 238 million.

				In TZS' Million
	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
At 1 January	**64**	64	**-**	-
Grant amount utilised	**(64)**	-	**-**	-
At 31 December	**-**	64	**-**	-

There are no conditions attached to the grant during the year.

45.3 MIVARF ASSET GRANT

				In TZS' Million
	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
At 1 January	**3,058**	4,011	**3,058**	4,011
Grant amount utilised	**(585)**	(583)	**(585)**	(583)
Write-off against grant receivable	**-**	(370)	**-**	(370)
At 31 December	**2,473**	3,058	**2,473**	3,058

On 2 January 2013, CRDB MFSCL signed a six-year funding agreement with Marketing Infrastructure, Value Addition and Rural Finance Support Programme (MIVARF) amounting to USD 4,000,008 as a grant for improving/strengthening and developing access to financial services on a sustainable basis to rural micro and small-scale entrepreneurship activities that will lead to increased productivities in rural areas. The grant was utilized to construct service centres and purchase mobile branches.

This grant expired in 2019. The outstanding amount relates to deferred grant which is being amortized in line with corresponding depreciation for the respective PPE.

There are no conditions attached to the grant during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

46 BORROWINGS

	In TZS' Million			
	GROUP		BANK	
	2020	2019	2020	2019
TMRC borrowing	**27,085**	27,085	**27,085**	27,085
AfDB borrowing	**142,410**	176,148	**142,410**	176,148
TIB borrowing	**1,969**	3,137	**1,969**	3,137
EIB borrowing	**66,590**	90,722	**66,590**	90,722
	238,054	297,092	**238,054**	297,092
Current	**27,085**	27,085	**27,085**	27,085
Non-current	**210,969**	270,007	**210,969**	270,007
	238,054	297,092	**238,054**	297,092

The Group and Bank has not had any defaults of principal, interest or other breaches with regard to borrowings during 2020 or 2019.

46.1 AFDB BORROWING

	In TZS' Million			
	GROUP		BANK	
	2020	2019	2020	2019
At 1 January	**176,148**	211,506	**176,148**	211,506
Loan repaid during the year	**(34,783)**	(34,500)	**(34,783)**	(34,500)
Interest charge for the year	**4,204**	9,952	**4,204**	9,952
Interest paid in the year	**(4,886)**	(10,726)	**(4,886)**	(10,726)
Foreign exchange difference	**1,727**	(84)	**1,727**	(84)
At 31 December	**142,410**	176,148	**142,410**	176,148

In April 2019 the Bank received the first disbursement of USD 90 Million Long term loan facility from African Development Bank (AfDB), which is part of USD 120 Million facility signed with Bank in November 2016. The facility is for the period of up to 8 years with two years grace period. The fund is provided for financing infrastructure projects and also utilise at least 25% of the proceeds on lending activities to Small and Medium-sized Enterprises (SME) in key economic sectors of the Tanzanian economy including agriculture, construction, transport and services. The Bank has been performing well by meeting all her obligations with the lender, inclusive of timely interest settlement.

As at 31 December 2020, the Group and Bank were compliant with all the lender's covenants.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

46 BORROWING (CONTINUED)

46.2 EIB BORROWING

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
At 1 January	**90,722**	125,730	**90,722**	125,730
Interest charge for the year	**4,027**	10,983	**4,027**	10,983
Interest paid in the year	**(4,488)**	(11,765)	**(4,488)**	(11,765)
Principal repayment during the year	**(23,671)**	(34,226)	**(23,671)**	(34,226)
At 31 December	**66,590**	90,722	**66,590**	90,722

The Bank entered into a facility agreement with European Investment Bank (EIB) for a credit line of Euro 55 million converted to TZS from initial recognition in 2015. The disbursement happened into two tranches Euro 40.2 million (TZS 97.5 billion) and Euro14.8 million (TZS 38 billion) received on August 2016 and December 2018 respectively. These funds were earmarked for Mid-caps and SMEs in the country.

The facility is for the period of up to 8 years with the one-year grace period. There is no collateral pledged to secure these loans. In addition to the 2015 signed facility, the Bank had another facility of EUR 20 million (equivalent to TZS 42.22 billion) signed in 2014 to support Microfinance business.

As at 31 December 2020, the Group and Bank were compliant with all the lender's covenants.

46.3 TMRC BORROWING

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
At 1 January	**27,085**	27,085	**27,085**	27,085
Interest charge for the year	**2,284**	2,554	**2,284**	2,554
Interest paid in the year	**(2,284)**	(2,554)	**(2,284)**	(2,554)
At 31 December	**27,085**	27,085	**27,085**	27,085

As at 31 December 2020, the Group and Bank were compliant with all the lender's covenants.

46.4 TIB BORROWING

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
At 1 January	**3,137**	4,263	**3,137**	4,263
Interest charge for the year	**212**	286	**212**	286
Interest paid in the year	**(183)**	(286)	**(183)**	(286)
Principal repayment during the year	**(1,197)**	(1,126)	**(1,197)**	(1,126)
At 31 December	**1,969**	3,137	**1,969**	3,137

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

46.4 TIB BORROWING (CONTINUED)

The loan is for 9 years with initial interest rate of 8.62% which is to be revised after every six months. On 15 March 2017 the Bank received additional instalment of TZS 399.5 million in favour of Andoya Hydro power. There is no collateral pledged to secure these loans.The Bank complied with all terms and conditions of each of the agreements during the year and there were no any defaults on either principal or interest of loan payable.

As at 31 December 2020, the Group and Bank were compliant with all the lender's covenants.

Net Debt Reconciliation

The analysis and movement of the net debt is, as follows:

In TZS' Million

	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
Cash and Cash equivalents	**784,857**	747,098	**773,609**	737,416
Borrowings repayable within one year	**(159,301)**	-	**(159,301)**	-
Borrowings repayable after one year	**(78,753)**	(297,092)	**(78,753)**	(297,092)
Net debt	**546,803**	450,006	**535,555**	440,324
Cash and Cash equivalents	**784,857**	747,098	**773,609**	737,416
Gross debt - fixed interest rate	**(238,054)**	(297,092)	**(238,054)**	(297,092)
Net debt	**546,803**	450,006	**535,555**	440,324

In TZS' Million

	Assets	Liabilities from financing activities		
GROUP	**Cash and Cash equivalents**	**Borrowing due within 1 year**	**Borrowing due after 1 year**	**Total**
At 1 January 2020	**747,098**	**-**	**(297,092)**	**450,006**
Cashflows	**85,737**	**(159,301)**	**170,361**	**96,797**
Net debt	**832,835**	**(159,301)**	**(126,731)**	**546,803**
At 1 January 2019	703,651	(56,102)	(370,559)	276,990
Cashflows	43,447	56,102	73,467	173,016
Net debt	747,098	-	(297,092)	450,006
BANK				
At 1 January 2020	**737,416**	**-**	**(297,092)**	**440,324**
Cashflows	**79,069**	**(159,301)**	**175,463**	**95,231**
Net debt	**816,485**	**(159,301)**	**(121,629)**	**535,555**
At 1 January 2019	690,723	(56,102)	(370,559)	264,062
Cashflows	46,693	56,102	73,467	176,262
Net debt	737,416	-	(297,092)	440,324

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

47 SUBORDINATED DEBT

				In TZS' Million
	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
At 1 January	**32,400**	32,400	**32,400**	32,400
Interest charge for the year	**2,407**	2,400	**2,407**	2,400
Interest paid in the year	**(2,400)**	(2,400)	**(2,400)**	(2,400)
At 31 December	**32,407**	32,400	**32,407**	32,400
Current	**2,407**	2,400	**2,407**	2,400
Non-current	**30,000**	30,000	**30,000**	30,000
	32,407	32,400	**32,407**	32,400

The Bank received a subordinated loans from DANIDA Investment Fund (DIF). The surbordinated loan was received in two tranches; in August 2013 (TZS 10,000 million) and in August 2014 (TZS 20,000 million). The facilities have a grace period of 8 and 7 years respectively with annual interest payments. As at 31 December 2020, the subordinated debt is still under grace period.

As at 31 December 2020, the Group and Bank were compliant with all the lender's covenants.

48 SHARE CAPITAL

				In TZS' Million
	GROUP		BANK	
	2020	**2019**	**2020**	**2019**
Authorized				
4,000,000,000 ordinary shares of TZS 25 each	**100,000**	100,000	**100,000**	100,000
Issued and fully paid				
2,611,838,584 (2019: 2,611,838,584) ordinary shares of TZS 25 each	**65,296**	65,296	**65,296**	65,296

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 Annual General Meetings of the Company. For the time being, there is no any restriction which has been attached to the ordinary shares of the company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

49 RESERVES

Share premium

Share premium represents the surplus of market price over the nominal value of the shares issued, comprising the rights issue and Initial Public offering (IPO).

Retained earnings

Retained earnings consist of profits generated by a company that was not distributed to shareholders as dividend but reinvested in business.

General Banking reserve

This represents one percent general provision on unclassified loans following an amendment of the Banking and Financial Institutions (Management of risk assets) regulation in 2014. The reserve is not available for distribution to the shareholders. During the year, effective from July 2020, the Bank of Tanzania issued a circular removing the requirement to maintain the reserve.

The Group's general banking reserves represents the excess of Bank of the Republic of Burundi (BRB) provisions over IFRS provisions. These reserves do form part of Tier 2 capital. This is a non-distributable reserve.

Translation reserve

Translation reserve represents exchange differences arising from translation of the financial performance and position of a subsidiary company that has a functional currency different from the Group's presentation currency. This is a non-distributable reserve.

Legal provision reserve

This represents five percent of net profit which is set aside in compliance with the Burundi company law for CRDB Bank Burundi SA.

Revaluation Reserve

Revaluation reserve is made up of periodic adjustment arising from the fair valuation of motor vehicles and mobile branches, net of related deferred taxation and fair valuation of debt instrument at fair value through OCI financial assets and liabilities. The reserve is not available for distribution to the shareholders.

The revaluations reserve movements for the Group are as shown below:

GROUP				In TZS' Million
Year ended 31 December 2020	**Motor vehicles and mobile branches**	**Debt instrument at fair value through OCI**	**Equity instrument at fair value through OCI**	**Total**
At 1 January	**4,183**	**20,249**	**(607)**	**23,825**
MFSCL winding up	**(297)**	**-**	**-**	**(297)**
Increase/(decrease) during the year	**1,047**	**22,545**	**(1,195)**	**22,397**
Release to retained earnings (net of deferred tax)	**(701)**	**-**	**-**	**(701)**
At 31 December	**4,232**	**42,794**	**(1,802)**	**45,224**
Year ended 31 December 2019				
At 1 January	679	24,336	-	25,015
Increase/(decrease) during the year	3,861	(4,087)	-	(226)
Release to retained earnings (net of deferred tax)	(357)	-	-	(357)
Other movements	-	-	(607)	(607)
At 31 December	4,183	20,249	(607)	23,825

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

49 RESERVES (CONTINUED)

Revaluation Reserve (continued)

The revaluations reserve movements for the Bank are as shown below:

BANK Year ended 31 December 2020	Motor vehicles and mobile branches	Debt instrument at fair value through OCI	Equity instrument at fair value through OCI	In TZS' Million Total
At 1 January	**3,885**	**20,250**	**(607)**	**23,825**
Increase/(decrease) during the year	**1,047**	**22,545**	**(1,195)**	**22,397**
Release to retained earnings (net of deferred tax)	**(701)**	**-**	**-**	**(701)**
At 31 December	**4,231**	**42,795**	**(1,802)**	**45,224**

Year ended 31 December 2019				
At 1 January	267	24,337	-	25,015
Increase/(decrease) during the year	3,861	(4,087)	-	(226)
Release to retained earnings (net of deferred tax)	(243)	-	-	(243)
Other movements	-	-	(607)	(607)
At 31 December	3,885	20,250	(607)	23,528

50 ANALYSIS OF CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition.

	GROUP		BANK	In TZS' Million
	2020	2019	2020	2019
Cash in hand (Note 24)	**307,431**	333,796	**303,209**	329,341
Balances with Central bank (Note 24)	**115,524**	89,625	**100,037**	83,527
Loans and advances to banks (Note 27)	**361,902**	323,677	**370,363**	324,548
	784,857	747,098	**773,609**	737,416

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

51 FINANCIAL INSTRUMENTS BY CATEGORY

GROUP				In TZS' Million
31 December 2020	**Amortised cost**	**FVOCI**	**FVPL**	**Total**
Financial assets				
Cash and balances with Central bank	**652,918**	**-**	**-**	**652,918**
Loans and advances to banks	**361,902**	**-**	**-**	**361,902**
Loans and advances to customers	**4,075,604**	**-**	**-**	**4,075,604**
Debt instruments	**995,824**	**501,005**	**-**	**1,496,829**
Financial assets at FVPL	**-**	**-**	**5,572**	**5,572**
Credit cards	**529**	**-**	**-**	**529**
Equity investment	**-**	**8,623**	**2,555**	**11,178**
Other assets*	**94,788**	**-**	**-**	**94,788**
	6,197,869	**493,324**	**8,127**	**6,699,320**
31 December 2019				
Financial assets				
Cash and balances with Central bank	764,015	-	-	764,015
Loans and advances to banks	323,677	-	-	323,677
Loans and advances to customers	3,541,095	-	-	3,541,095
Debt instruments	941,271	476,092	-	1,417,363
Credit cards	1,312	-	-	1,312
Equity investment	-	5,095	3,040	8,135
Other assets*	97,840	-	-	97,840
	5,683,637	466,760	3,040	6,153,437

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

		In TZS' Million
	GROUP	
	2020	**2019**
Financial liabilities at amortised cost		
Deposits from banks	**296,212**	25,195
Deposits customers	**5,434,647**	5,202,247
Lease liabilities	**29,618**	39,778
Other liabilities	**84,941**	93,071
Subordinated debt	**32,407**	32,400
Borrowings	**238,054**	297,092
	6,115,879	5,689,783

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

51 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

BANK				In TZS' Million
31 December 2020	**Amortised cost**	**FVOCI**	**FVPL**	**Total**
Financial assets				
Cash and balances with Central bank	**633,209**	**-**	**-**	**633,209**
Loans and advances to banks	**382,207**	**-**	**-**	**382,207**
Loans and advances to customers	**3,998,295**	**-**	**-**	**3,998,295**
Debt instruments	**843,316**	**501,005**	**-**	**1,344,321**
Credit cards	**529**	**-**	**-**	**529**
Equity investment	**-**	**8,488**	**2,555**	**11,178**
Other assets*	**96,494**	**-**	**-**	**96,494**
	5,970,354	**493,189**	**2,555**	**6,466,098**
At 31 December 2019				
Financial assets				
Cash and balances with Central bank	753,462	-	-	753,462
Loans and advances to banks	346,776	-	-	346,776
Loans and advances to customers	3,484,248	-	-	3,484,248
Debt instruments	809,820	476,092	-	1,285,912
Credit cards	1,312	-	-	1,312
Equity investment	-	4,973	3,040	11,178
Other assets*	98,473	-	-	98,473
	5,508,518	466,638	3,040	5,978,196

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

		In TZS' Million
	BANK	
Financial liabilities at amortised cost	**2020**	**2019**
Deposits from banks	**296,561**	6,498
Deposits customers	**5,234,145**	5,068,843
Lease liabilities	**28,688**	38,903
Other liabilities	**83,989**	93,213
Subordinated debt	**32,407**	32,400
Borrowings	**238,054**	297,092
	5,913,844	5,536,949

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52 CONTINGENT LIABILITY

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
Guarantees and indemnities	**1,223,500**	1,218,686	**1,221,272**	1,218,357
Letters of credit	**136,830**	187,598	**135,532**	187,598
Legal claims	**32,228**	27,391	**32,228**	27,391
	1,392,558	1,433,675	**1,389,032**	1,433,346

Letters of credit are commitments by the Bank to make payments to third parties, on production of agreed documents on behalf of customers and are reimbursed by the customers.

Guarantees and indemnities are generally issued by the Bank, on behalf of customers, to guarantee customers to third parties. The Bank will only be required to meet these obligations in the event of default by the customer.

The Group and Bank is, in the normal course of business involved in a number of court cases and tax disputes with the revenue authorities. The Group has taken appropriate legal measures to defend its position. Appropriate provisions have been made by the Group for the liabilities arising as disclosed in Note 44. Contingent liabilities arise for cases for which the outcome cannot be reliably determined as at the date of signing these financial statements.

53 COMMITMENTS AND LEASES

53.1 Commitments

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
Commitments to extend credit	**209,180**	164,623	**203,652**	160,798
Capital commitments				
Authorized and contracted for	**10,056**	16,920	**10,056**	16,920
Authorized and not yet contracted for	**232**	863	**232**	863
	10,288	17,783	**10,288**	17,783

Capital commitments authorised and contracted for are in respect of the following branches; Chamwino, Arusha Branch Relocation, Mtwara, Mini HQ Dodoma region, Mtwara Branch, KCMC, Mbulu, Meru, Mkuyuni, Mwanga, Same, Mtwara.

As at 31 December 2020, the Group had no contractual commitments for the acquisition intangible assets.

Capital commitments authorised and not yet contracted are for Zonal offices.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

53 COMMITMENTS AND LEASES (CONTINUED)

53.2 LEASING ARRANGEMENTS

Group as lessee

The Group has entered into commercial leases for various office spaces including ATMs lobbies. The leases have an average life of between three (3) and ten (10) years. The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

- The lease agreements do not impose any covenants, however leased assets may not be used as security for borrowing purposes.
- There are no restrictions placed upon the lessee by entering into these lease agreements.
- During the year, the Group had no sale and leaseback transactions.
- There were no leases which were not yet commenced to which the Group was committed during the year.
- There were no variable lease payments during the year.
- There were no residual value guarantees during the year.
- The Group had no short-term leases or leases of low-value assets during the year (2019: Nil).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

			In TZS' Million
31 December 2020	**1-5 years**	**Over 5 years**	**Total**
Extension options not to be exercised	**583**	**3**	**586**
Termination options expected to be exercised	**-**	**-**	**-**
	583	**3**	**586**
31 December 2019			
Extension options not to be exercised	259	76	334
Termination options expected to be exercised	-	-	-
	259	76	334

During the year, despite the outbreak of the COVID-19 pandemic no concessions were given in terms of rent payments from Landlords.

Group as lessor

The Group acts as lessor of the land and building. These leases have an average contract lease of between three and six months with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Rental income recognised by the Group during the year is TZS 54 million (2019: TZS 92 million). The rental income includes TZS 19.7 million (2019: TZS 34 million) resulted from subleasing of the right of use assets.

Future minimum lease payments under non-cancellable operating leases as at 31 December were, as follows;

		In TZS' Million
	2020	**2019**
Within one year	**54**	92
After one year	**-**	-
	54	92

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

54 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

In the normal course of business, a number of Banking transactions are entered into with related parties' i.e. key management staff, Directors, their associates and companies associated with Directors. These include loans and deposits. Loans and advances to customers as at 31 December include loans and advances to Directors, other key management personnel and companies associated with Directors.

The volume of related party transactions for the year and the outstanding amounts at the year-end is as follows;

				In TZS' Million
	Companies associated with Directors		Directors and other key management personnel	
	2020	2019	2020	2019
Loans and advances to related parties				
At 1 January	**1,631**	159	**5,818**	5,261
Net movement during the year	**(174)**	1,472	**440**	557
At 31 December	**1,457**	1,631	**6,258**	5,818
Interest earned	**265**	192	**440**	343
Current	**50**	23	**-**	-
Non-current	**1,407**	1,608	**6,258**	5,818
	1,457	1,631	**6,258**	5,818

Loans to key management personnel were issued at off market interest rate as per Group policy and repayable on demand. They are treated as employee benefit like other staff loans. Mortgage loans issued to key management are secured and repayable within 20 years while personal loans are unsecured and repayable within 5 years.

Loans to non-executive directors were issued on commercial terms. These loans are payable on demand.

As at 31 December 2020, the total loan balances outstanding were TZS 7,715 million (2019: TZS 7,449 million).

As at 31 December 2020, the Group and Bank held collateral valued of TZS 9,879 million (2019: TZS 1,800 million) from key management personnel and non-executive directors.

Loans and advances to related parties fall under Stage 1 and balance sheet provisions for doubtful debts related to the amount of outstanding balances is TZS 63 million (2019: TZS 136 million).

Provision expenses recognized/ charged to profit or loss during the period in respect of bad or doubtful debts due from related parties is TZS 30 million (2019: TZS 34 million).

				In TZS' Million
	Companies associated with Directors		Directors and other key management personnel	
	2020	2019	2020	2019
Deposits related parties				
At 1 January	**13**	9	**428**	592
Net movement during the year	**(8)**	4	**(207)**	(164)
At 31 December	**5**	13	**221**	428
Interest paid	**-**	-	**1**	3

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

54 RELATED PARTY TRANSACTIONS (CONTINUED)

Balances outstanding with related companies were as follows;

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
Due from related parties*				
CRDB Burundi S.A	-	-	**1,145**	289
CRDB Insurance Broker	-	-	**357**	-
Due to related parties*				
CRDB Microfinance Company Services	-	-	-	3,639
CRDB Insurance Broker	-	-	-	24
Loan advanced to subsidiary**				
CRDB Burundi S.A	-	-	**82,291**	39,088
Nostro to subsidiary				
CRDB Burundi S.A	-	-	**221**	4,762
Placement to subsidiary***				
CRDB Burundi S.A	-	-	**22,279**	22,228

*Amount due to/from subsidiaries relates to sales and purchases related parties which are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

**The loan granted to CRDB Burundi S.A is intended to finance construction of Hydroelectric Power Plant at Mpanda Burundi. The loan is fully-secured and repayable in full on 31 March 2022. Interest is charged at 5.7% per annum.

***Placement to subsidiary relates to two placements with CRDB Burundi S.A intended to finance subsidiary operations. Placements are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured. Interest is charged at 5.75% and 6.0% per annum and repayable in full on 25 August 2020 and 23 August 2024 respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

54 RELATED PARTY TRANSACTIONS (CONTINUED)

Interest received and paid from and to related parties respectively were as follows;

				In TZS' Million
	GROUP		BANK	
	2020	2019	2020	2019
Interest Income received from subsidiary				
CRDB Burundi S.A	-	-	**5,228**	4,328

Transactions with related companies were as follows;

Payments made on behalf of subsidiaries				
CRDB Microfinance Company Services Ltd	-	-	-	6,161
CRDB Insurance Broker Company Ltd	-	-	-	91
Rent paid to the parent				
CRDB Burundi S.A	-	-	**616**	-
CRDB Microfinance Company Services Ltd	-	-	-	111
CRDB Insurance Broker Company Ltd	-	-	-	40
				151

Transactions with Related Parties

Purchase/ sale of properties on behalf of subsidiaries

In the year ending 31 December 2020, the company did not sale or purchase properties to/from any related party (2019: Nil).

Transfer of research and development

In the year ending 31 December 2020, the company did not transfer any cost of research and development to/from any related party (2019: Nil).

Guarantee

In the year ending 31 December 2020, there was no guarantee given or received to/from any related party (2019: Nil).

Settlement of liabilities on behalf of the entity or by the entity on behalf of another party

In the year ending 31 December 2020, there were no settlement of liabilities on behalf of the entity or by the entity on behalf of another entity (2019: Nil).

Rendering or receiving of services

During the year there were neither services rendered nor received to/from related party.

Leases

There were no lease transactions with related party during the year (2019: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

54 RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of Key Management Personnel

Non-executive director's remuneration has been disclosed under section 10 of the director's report whereas remuneration for key management personnel has been disclosed under section 12. Key management personnel comprise Board of directors, Managing Director, Chief Commercial Officer, Chief Operations Officer, Chief Financial Officer and Directors of departments who are reporting directly to the Managing Director.

The remuneration of key management personnel during the year was as follows:

	In TZS' Million	
	2020	**2019**
Short term employee benefits (salary)	**8,536**	7,760
Post-employment benefits (gratuity)	**2,292**	2,084
	10,828	9,844

The above compensation is a total salary package including all employment benefits and pension.

- There were separation costs amounting to TZS 3,295 million during the year relating to severance pay of some key management personnel (2019: TZS 4,519 million).
- The amounts disclosed above are the amounts recognised as an expense during the reporting period related to key management personnel.
- During the year ended 31 December 2020, there were no pension contributions paid on behalf of Directors to defined contribution schemes.
- There Group does not have a defined benefit scheme for directors. Generally, the non-executive directors do not receive pension entitlements from the Group.
- There were neither termination benefits nor share based payment benefit made during the year (2019: Nil).

Transactions and Balances with Government of Tanzania (Group and Bank)

The Government of Tanzania owns 34.3% (2019: 34.3%) equity in the Bank through DANIDA Investment funds and Pension Funds and has significant influence. The Bank invested in government securities during the year and at the year-end the amount receivable from the Government of Tanzania in the form of treasury bills and bonds amounted to TZS 1,492,439 million (2019: TZS 1,339,931 million). Interest earned from investment in government securities during the year was TZS 191,873 million (2019: TZS 176,225 million). ECL related to transactions and balances are disclosed under note 25.

The Bank also accepts deposits from various Government institutions and related agencies, which attract interest like other deposits. As at 31 December 2020, deposits balances relating to the Government institutions and related agencies collectively amounted to TZS 530,756 million (2019: TZS 553,458 million).

55 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There were no events after the reporting period which require adjustment or disclosure in the financial statements.

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