The bank that listens

ANNUAL REPORT 2019

Value Beyond Numbers

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About this Report

CRDB Bank Group Annual Report and Financial Statements have been prepared for the period beginning 1st January 2019 to 31st December 2019. 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, CRDB Microfinance Services Company Limited and CRDB Insurance Broker Limited.

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.

In preparing this report, we have moderately used an integrated approach in presenting some key issues to foster clarity and transparency. It is however important to note that it is not a fully integrated report. The Group's Annual Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS).

In general, this report presents a broad analysis of the Group's strategy, performance, governance and prospects. We relied on internal processes such as risk assessments, stakeholder engagements, and externally on industry trends.

The Group's consolidated annual financial statements were audited by Ernst & Young. FENRAJ Associates audited CRDB Bank Burundi S.A accounts.

ABBREVIATIONS

AC	Amortized cost
ALCO	Assets and Liabilities Committee
ATM	Automatic Teller Machine
BIF	Burundian Franc
CEO	Chief Executive Officer
CET	Common Equity
CFP	Contingency Funding Plan
CSI	Corporate Social Investments
DANIDA	Danish International Development Agency
DKK	Danish Krona
EAD	Exposure at Default
ECL	Expected Credit Loss
FSDT	Financial Sector Deepening Trust
FVOCI	Fair Value through Other Comprehensive Income
FVPL	Fair Value through Profit or Loss
GDP	Gross Domestic Product
IAS	International Accounting Standards
ICT	Information and Communication Technology
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
KYC	Know Your Customer
LAPF	Local Authorities Pension Fund
LGD	Loss given default
LIBOR	London Inter-Bank Offered Rate
MD	Managing Director MFI Microfinance Institution
MFSCL	Microfinance Services Company Limited
MIM	Mobile Information Management
MNO	Mobile Network Operators
MSc	Master of Science
MSME	Micro Small and Medium Enterprises
MUSE	Mfumo wa Ulipaji Serikalini
N/A	Not applicable
NFI	Non Funded Income
NGO	Non-Governmental Organization
NPL	Non-Performing Loans
OCI	Other Comprehensive Income
PAR	Portfolio at Risk
PD	Probability of Default
PSSSF	Public Services Social Security Fund
SDGs	Sustainable Development Goals
S&P	Standard and Poor's
SMR	Statutory Minimum Reserves
SPPI	Solely Payment of Principal and Interest
TMRC	Tanzania Mortgage Refinance Company
TRA	Tanzania Revenue Authority
TZS	Tanzanian Shilling
USD	United States Dollar

CORPORATE INFORMATION

REGISTERED OFFICE

Head Quarters
Office Accommodation Building
Azikiwe Street, opposite Posta Mpya
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INVESTOR RELATIONS

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COMPANY SECRETARY

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Postal Address, 268, Dar es Salaam, Tanzania.

AUDITORS:

CRDB Bank Group
Ernst & Young
Tanhouse Tower 4th floor,
New Bagamoyo Road.
Postal Address, 2475 Dar es Salaam,

CRDB Bank Burundi, SA
FENRAJ Associates
Bujumbura, Burundi.

MAIN BANKERS:

Bank of Tanzania
10, Mirambo Street,
Postal Address, 2939 Dar es Salaam, Tanzania

LEGAL COUNSEL

Abenry & Company
Second Floor, NIC Life House
Ohio Street/Sokoine Drive,
Postal Address, 3167 Dar es Salaam, Tanzania

DIGITAL MEDIA PRESENCE

CRDBBankPlc

WHAT'S INSIDE THIS REPORT

Value Beyond Numbers

CORPORATE PROFILE

ABOUT CRDB BANK PLC

CRDB Bank Plc is a publicly owned commercial bank headquartered in Dar es Salaam, Tanzania. We operate three main subsidiaries, CRDB Bank Burundi – a wholly owned affiliate based in Bujumbura in the Republic of Burundi, CRDB Insurance Broker Limited – a leading Insurance broker service provider operating in Tanzania and CRDB Microfinance Services Limited.

We are the largest financial services provider in Tanzania offering a comprehensive range of financial services to individuals, Micro, Small and Medium sized Enterprises (MSMEs) and large corporations. We see ourselves as a customer-centred financial services provider, committed to providing responsive financial solutions that not only support economic growth, but also foster sustainable livelihoods. We have a "B1 Stable Outlook" credit rating from Moody's and are listed on the Dar es Salaam Stock Exchange (DSE).

Our Vision
To be the leading Bank which is customer needs-driven, with competitive returns to shareholders.

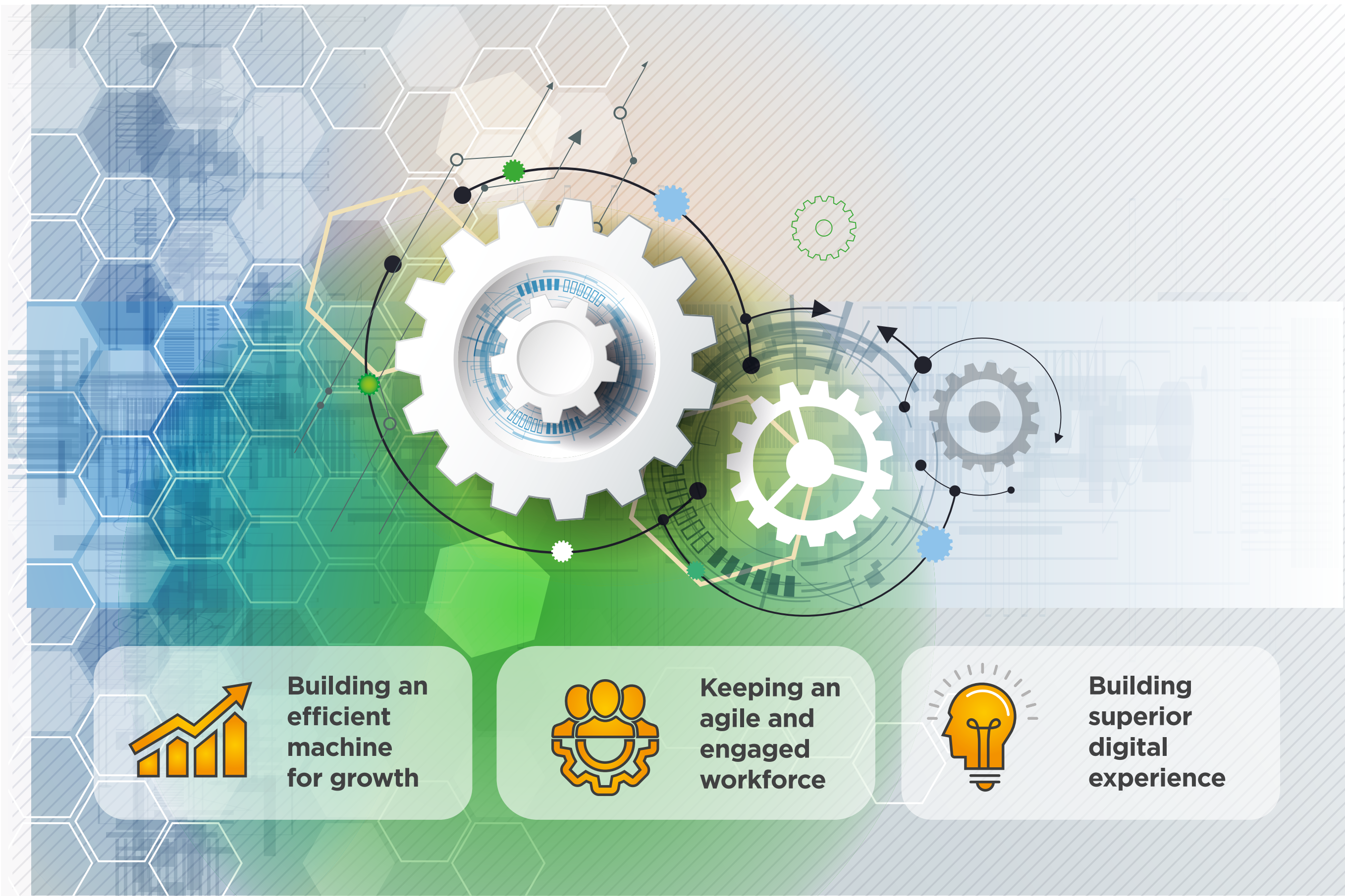
Our Mission
To provide competitive and innovative financial solutions through digital transformation, to achieve distinctive customer experience, while caring for our people, and delivering a sustainable contribution to the society.

Our Purpose
To transform lives through financial sector innovation, intuitive action and sustainable business.

Our Strength
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 drive growth

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. During the financial year 2019, we set out to execute our strategic objectives in three successive ways:



Our pursuit for growth is powered by a solid value system, which guides our behaviour and actions.

PROFESSIONAL
(We DO what is right)

RESPONSIVE
(We VALUE every voice)

ACCOUNTABLE
(Own our ACTIONS)

COMMITTED
(DEDICATED to the mission)

TEAM PLAYER
(Working together towards a COMMON GOAL)

INNOVATIVE
(Make a DIFFERENCE)

COURTEOUS
(Engage, LISTEN & Act)

EFFICIENT
(Create VALUE)

We are a market leader in Tanzania

OUR STRENGTH

24 Years

Our Coverage
Tanzania & Burundi

Our Subsidiaries
CRDB Bank Burundi
CRDB Insurance Broker
CRDB Microfinance Services Limited

Our Size

TZS 873 Billion
Total Capital

TZS 6.6 Trillion
Total Assets

Our Share in the Market

20.2% Total Loans

23.3% Customer Deposits

Our Human Capital

44% 56%

+3,400
Professional Staff

Maintain over 3.3 Million customer base

Our Delivery Channels

268 Branches (including franchises) -Tanzania & Burundi

560 ATM's

14,761 Bank Agents

2,237 Merchant POS

Robust Online & Mobile Banking Platforms

86% Transactions through ABC

OUR MARKET OPERATIONS

OUR PERSPECTIVE OF GROWTH

To further our growth, our business segments capitalise on their proficient workforce, cutting edge technology as well as the Group's wide-ranging platforms and channels. The latter include branches, ATMs, merchant terminals as well as mobile and robust Internet Banking Platforms.

We also leverage on our subsidiaries; CRDB Bank Burundi, CRDB Microfinance Services Company Limited and CRDB Insurance Broker Ltd to deliver a strong performance. In addition to forging synergies and collaborations, we capitalise on alliances and partnerships with third party stakeholders to shore up our market development.

OUR MAIN BUSINESS LINES

RETAIL BANKING

Key Clients

Our clients are mass, affluent, Micro Small and Medium Enterprises and individual customers;

Our approach

We cater for the day-to-day and lifetime needs of individual customers. In addition to lending and deposit facilities, we offer adapted account packages to individual customers across age groups. We also accompany micro small and medium enterprises (MSMEs) throughout their business development cycle by means of dedicated offerings and advice. Our clients can access multiple channels and services to carry out their banking transactions. Furthermore, they can benefit from investment solutions, which are customised in line with their profiles.

We also offer custodial services as well as time execution services across asset classes through our open architecture and transactional banking services.

CORPORATE AND INSTITUTIONAL BANKING

Key Clients

Our clients are corporate organisations, which are based in Tanzania and Burundi and the larger Eastern part of Africa; global business companies, funds, trusts and foundations; Entities within the energy and commodities field, notably traders, refineries, manufacturers etc. Other clients: Financial institutions, Government bodies, Investment and Asset management companies.

Our approach

We provide dedicated solutions, advice and investment services to corporate and institutional clients. We have tailored financing, trade, treasury, transactional and payment solutions as well as investment services to support the business development and capacity building initiatives of clients across established and emerging economic sectors.

We offer customised solutions and commodities financing and for companies, funds, trusts and foundations. We attend to the needs of diverse customer segments across East Africa, while also venturing beyond. In addition, we offer structured project to assist entities, which are investing and doing business in Tanzania and Burundi, while also tapping into opportunities across the region. We offer dedicated relationship management to corporate clients across our network. As a group, we live up to our promise by providing adapted strategic and operational solutions to help financial institutions meet their growth and capacity building imperatives.

TREASURY

We offer a wide range of treasury solutions to facilitate risk management, investment to Financial Institutions, corporate and retail customers.

The department of treasury have specialised and dedicated dealers who design and offer customised Treasury solutions according to specific customer's needs. We manage customer requests through our diversified solutions offering in Foreign Exchange, Risk Management, and Investment.

The Bank also offers Bureau de change services to the general public across its entire network as part of her Foreign exchange solutions.

Balance sheet Management is among the key function of the Treasury department under the oversight of Assets & Liabilities Management Committee (ALCO). Key roles of the department under this function is to maintain the right funding mix in a diversified manner at a right cost. This function also involves making strategic investment decisions in high quality liquid instruments to maximize investment returns for the Bank.

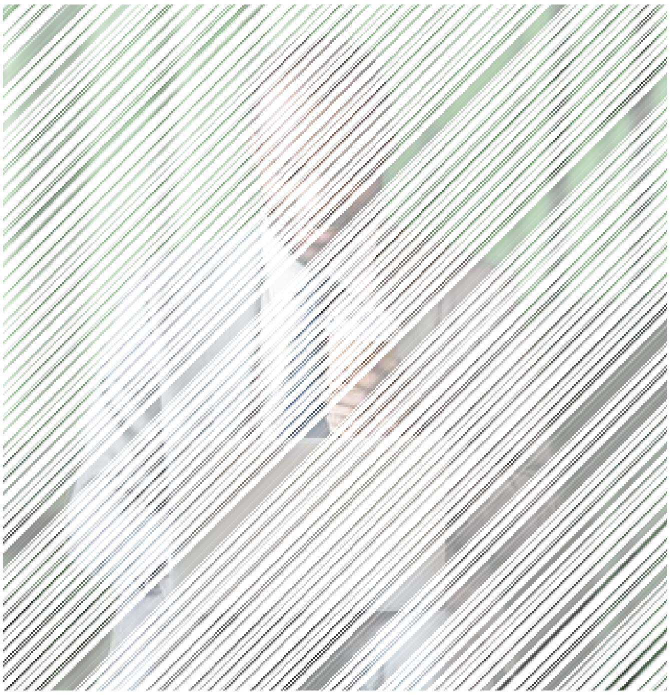
INSURANCE BROKERAGE

Key Clients

Individuals, families, corporate, small and medium enterprises (SMEs) from different sectors, real estate, manufacturing, constructions, NGO, financial institutions and others, Oil and Gas exploration and others.

Our approach

We believe that a customer is the key contributor to our success and therefore we prioritise our customers' needs through innovation and tailor made insurance products to meet their needs. We also advise on the proper insurance products and a wide range of insurance companies selection based on service. We further facilitate Insurance premium financing plan which allows premium payment flexibility.



Our services and solutions

We provide extensive, innovative and customized solutions which are designed to empower our customers to meet their unique financial needs and position them for future success.

Financing Solutions
- House Loans
- Personal Loans
- Education Loans
- Car Loans
- SME Loans
- Retirement loans
- MSE Loans

Payment Services
- Bill payments
- Book transfers
- Bank drafts
- Standing instructions & direct debits
- Mobile refill and payments
- Local and international transfers

Everyday Banking
- Deposit accounts
- Multi-currency accounts
- Forex transactions
- Overdrafts
- Debit, credit & pre-paid cards
- Safe deposit boxes
- Distribution of general insurance cover

Ways to bank
Traditional
- Branch Network
- Tembo card

Digital Alternative channels
- Internet Banking
- Mobile Banking (USSD & APP)
- CRDB Wakala
- QR Codes
- POS

Savings and Investment
- Fixed Deposit
- Private Banking & Wealth management
- Custodian Services
- Treasury bills & Government Bonds

Corporate and Institutional banking

We work closely with our customers to understand their imperatives, challenges and priorities towards crafting solutions adapted to their needs.

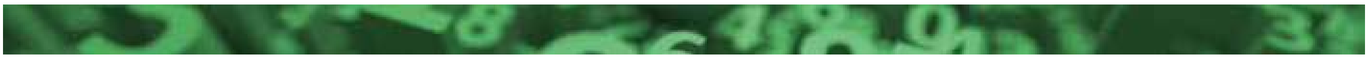
Advisory Services
- Corporate Finance Advisory
- Investment Advisory

Transactional Banking
- Payment & Cash management solutions
- Business Services

Financing Solutions
- Short & Long term Loans
- Syndicated loans
- Bridging loans
- Project Finance
- Capital Financing
- Business Services

Investment Related Services
- Securities & Custodian services
- Dual currency deposits

International Trade Finance
- Import & Export
- Credit Protection
- Bank guarantees
- Standard trade finance
- Structured Commodity finance
- L/C re-issuance/confirmation
- Secondary asset trading



Treasury Services

We provide a wide range of services and solutions pertaining to foreign trading and exchange services, advisory services relating to capital market investments and fully-fledged custodial services - safe keeping, asset servicing and record keeping.

Foreign Exchange Services

- Daily Foreign Exchange Business Support
- Planned/Expected Foreign Exchange Commitment business support
- Future Foreign Exchange Cashflow Hedge Support
- Customised Structured products per business need
- Bureau de Change Services for non-account Holders

Interest Rate Services

- Short to Term Investment Offerings
- Facilitation of Government Securities Purchases & Portfolio holding
- Wholesale market suport in primary dealership

Financial Services

- Facilitates IPO Issuance
- Financial Advisory
- Bond Registration
- Collection Services
- Support of Brokerage Services
- Safe Keeping of Valuables

Capital Markets Services

- Equities Investments
- Corporate Bonds Transactions
- Investments
- Private Placements Transactions

Insurance Brokerage

The Bank works closely alongside its customers to understand their imperatives, challenges and priorities towards crafting solutions adapted to their needs.

We protect your assets through

- Motor insurance
- Fire Insurance
- Burglary insurance
- Liability insurance

We take care of your health through

- Individual Medical Solution
- Family Medical solution
- Group/Corporate Medical Solution
- Micro health solution

Risk Advisory

- We offer risk advisory and structure solution that help identify and manage exposure.

We offer affordable financial protections to individual, family, society and corporate through

- Life Assurance for Individual and Group
- Credit Life Assurance
- Investment plan
- Pension Plan (Institutional)
- Education (Saving and life assurance)
- Key man Insurance (business protection)
- Funeral Insurance (Burial expenses)

Claims made easy

- Guide in claim process
- Prompt claim attendance on time
- Health awareness and education program


24
YEARS
OF GROWING TOGETHER

OUR JOURNEY OF PROGRESS

CRDB Bank Group's story is that of humble beginnings. The Bank started out as Cooperative Rural Development Bank in the early 90s and has grown in leaps and bounds. The journey earnestly began 1991 with government reforms in the financial services sector, which saw many insolvent public entities privatised. Because of CRDB's important role in supporting the cooperatives and rural development, the government made a call to donors to rescue the Bank's operations to enable it continue with the noble work.

In 1994, the Danish International Development Agency (DANIDA) heeded the call and agreed to support CRDB; on condition that Tanzanians raise 70% of the capital. The condition was met in 1996, after which DANIDA established DANIDA Investment Fund (DIF), and through it subscribed to 30% of the capital of the new bank. CRDB was then incorporated as CRDB Bank Ltd.

DANIDA transformed CRDB by investing in a modern banking system and new communication technologies, which simplified services. It provided management support and implemented good corporate governance practises within the Bank. The strong partnership with DIF has contributed significantly to the Bank's rapid growth to become the leading brand in Tanzania, fully engaged in spearheading financial inclusion agenda and addressing inequalities, supported by the bank's wide branch network and digital outreach in the entire country.

A major turning point was reached in 2009, when CRDB Bank Limited listed on the Dar es Salaam Stock Exchange (DSE). The listing dramatically improved our capacity to fund growth, following a successful Initial Public Offer, which saw the Bank renamed for the second time to CRDB Bank Plc. Since then, the Bank adopted an aggressive strategy for growth, driven by a genuine desire to deepen access to financial services and empower people, in a country where only a small section of the population is financially included.

In 2012, the Group became the first Tanzanian Bank to venture outside the country and established a subsidiary in Burundi. Today, CRDB Bank Burundi SA is among the fastest growing commercial banks in the Republic of Burundi and currently occupies the 5th position in the country's financial services sector. The establishment of the Burundi subsidiary came a few years after launch of two other subsidiaries; CRDB Microfinance Services Company Limited and CRDB Insurance broker Ltd.

Over time, CRDB Bank has achieved innumerable milestones including obtaining an international credit rating of B-1 from Moody's Investors Services in August 2016, when it was first issued in Tanzania. We are also East and Central Africa's first commercial Bank to be accredited by the UN Green Climate Fund (GCF). We remain committed to supporting key economic sectors, in our markets, epsecially agriculture, with special focus on women as an initiative to reach out to the unbanked and underserved communities.

A snapshot of our humble beginning

KEY MILESTONES

2019 – Accredited by the United Nation's Green Climate Fund Accreditation (first commercial bank in East and central Africa - 3rd in Africa – to attain status)

2016 – Obtained B-1 Credit rating from Moody's Investors' Services (First in the country)

2013 – Launched Agency Banking services FahariHuduma (Now CRDB Wakala)

2012 – Established CRDB Bank Burundi (first Tanzanian bank to venture outside the country)

2011 – Launched the revolutionary SimBanking (first mobile banking platform in Tanzania)

2010 – Launched a 24-hour call centre

2009 – Listed on the Dar es Salaam Stock Exchange (DSE)

2005 – Launched SME Banking, Depository ATMs and CRDB Microfinance Services

2004 – Recognized as Best Bank in Tanzania by Euromoney

2002 – Launched TemboCard with global payments solution providers Visa and MasterCard in Tanzania (first in Tanzania)

2000 – First bank, South of the Sahara to aquire VSAT tecnology and to implement an online, real-time system linking branches

1996 – DIF subscribed to 30% of CRDB shares; Bank was incorporated as a limited liability company (CRDB Bank Ltd)

1994 – DANIDA partnership begins (started with establishment of DANIDA investment Fund - DIF)

1991 – Financial sector reforms

START

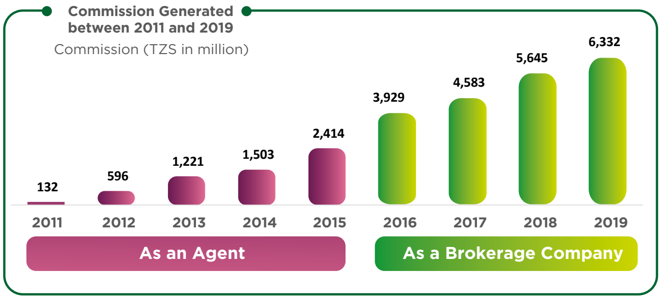
20 Years of securing lives

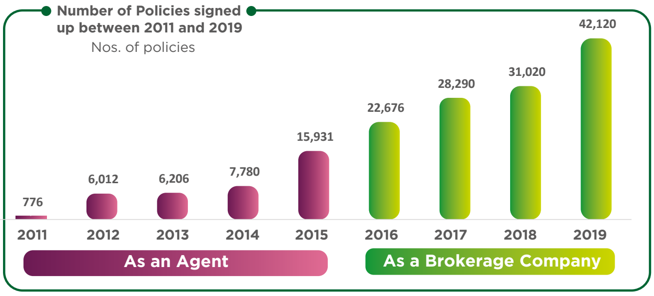
CRDB Insurance Broker Ltd (CIB) is a an insurance services subsidiary of CRDB Bank Plc with a core purpose of providing a range of insurance services to CRDB Bank customers and other external clients.

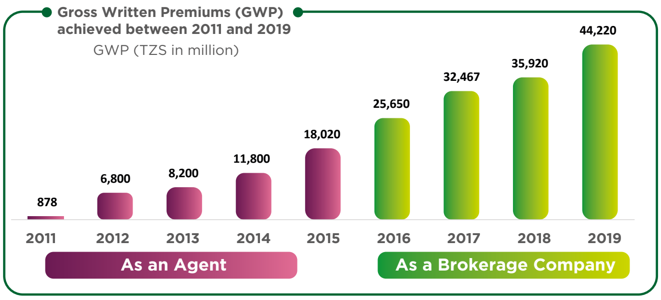
Guided by an ambition to grow and, encouraged by the expansion of the insurance market in Tanzania, CIB expanded its services in a bid to reach more customers and deliver a unique insurance service experience.

There were numerous successes along the journey, which led to a transfer of the unit from CRDB Bank Plc to the microfinance subsidiary (CRDB Microfinance Services Company Ltd in 2011). The board made the decision so as to allow CIB to grow independently as an alternative revenue stream for the Group. As a result, the unit accelerated the drive to capture the untapped market's insurance potential and successfully grew its network to serve more clients.

A snapshot of our growth story







A major turning point was reached that lead the establishment of CIB in 2016. This transformation was inspired by a burning ambition to create an independent legal entity that would better serve the market.

An enduring partnership with the people of Burundi

Established
Burundi
Subsidiary in
November
2012

CRDB Bank Burundi S.A was established in 2012 as a wholly-owned subsidiary of CRDB Bank Plc.

We are driven by a relentless desire to empower people, we continue to expand our 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

CRDB BANK BURUNDI

2012
Launched SimBanking in Burundi

2013
Introduced Visa & MasterCard payment solutions

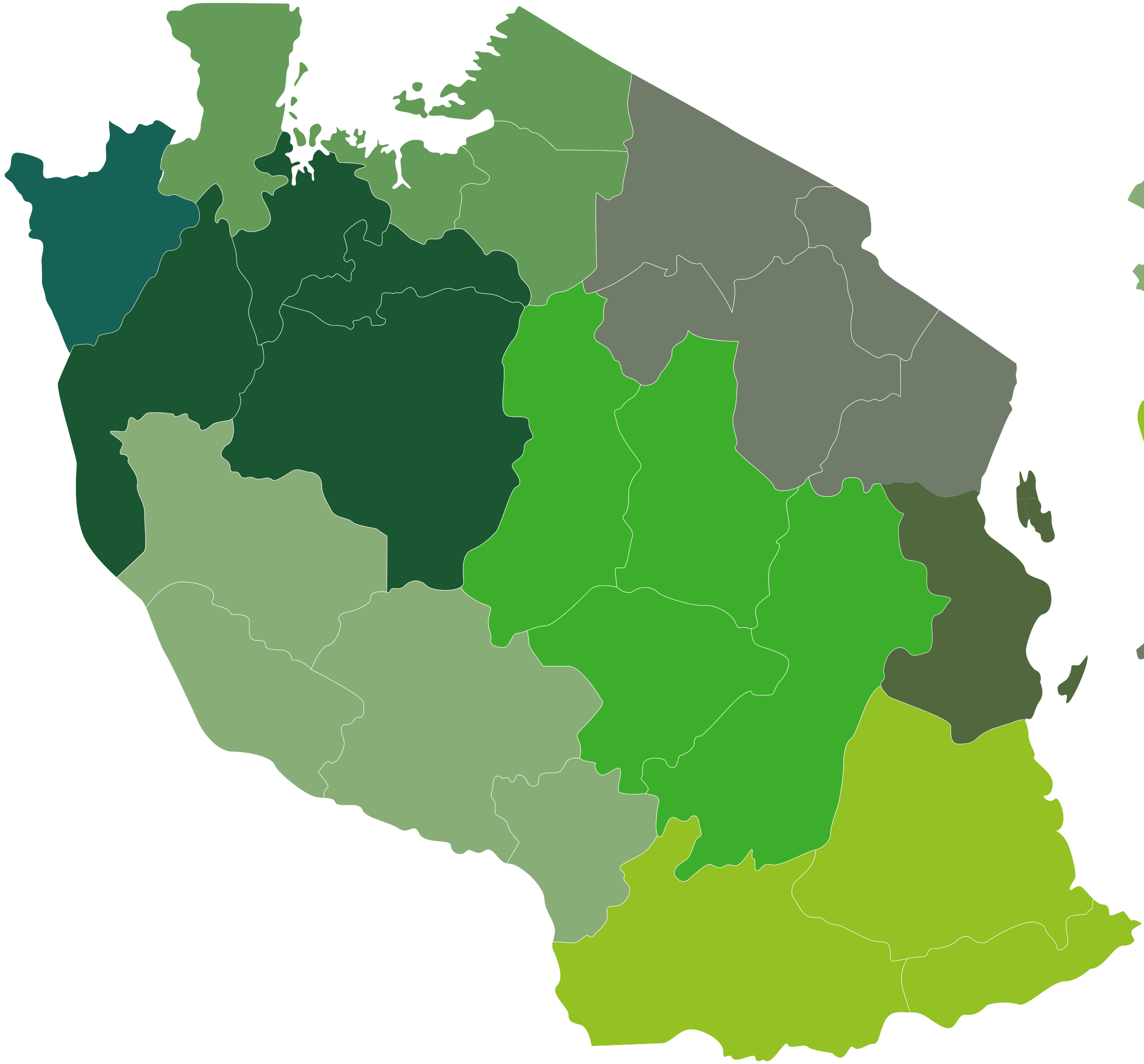
Launched Birashoboka Microfinance Services

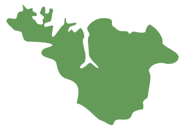
2017
Launched TuriHose Agent Network

2019
Highest ever PAT growth of 146%

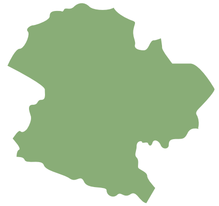
7 Years
of supporting economic growth in Burundi

OUR NETWORK COVERAGE



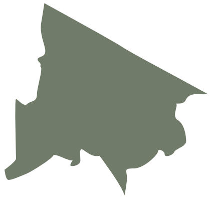


33 BRANCHES
Lake Zone
Mwanza
Kagera
Simiyu
Mara



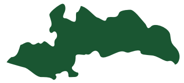
24 BRANCHES
Southern Highland Zone
Songwe
Rukwa
Mbeya
Katavi
Njombe

17 BRANCHES
Southern Zone
Ruvuma
Mtwara
Lindi



44 BRANCHES
Northern Zone
Kilimanjaro
Manyara
Arusha
Tanga

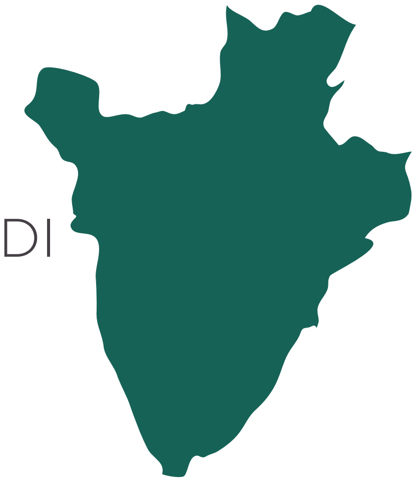
32 BRANCHES
Central Zone
Dodoma
Morogoro
Singida
Iringa



28 BRANCHES
Western Zone
Kigoma
Geita
Tabora
Shinyanga

87 BRANCHES
Eastern Zone
Dar es Salaam
Zanzibar
Coast

BURUNDI



3 BRANCHES
Bujumbura
Inyenyeri
Asiatique
City Market

HOW WE PERFORMED

2019 PERFORMANCE HIGHLIGHTS

BUSINESS GROWTH

Group's Profit
↑ 87% **TZS 120.1 Billion**

CRDB Bank Burundi
↑ 146% **TZS 6.4 Billion**

CRDB Insurance Broker
↑ 23% **TZS 1.5 Billion**

Group's Total Assets
↑ 11% **TZS 6.6 Trillion**

Group's Loans and Advances
↑ 8% **TZS 3.4 Trillion**

Group's Customer Deposits
↑ 18% **TZS 5.2 Trillion**

SOUNDNESS

Non-Performing Loans
↓ 3% Improved to 5.5%

Group's Return on Equity
↑ 5.5% Improved returns with a 13.8% ROE

ACCESS TO FINANCE

We have provided access to banking services to more than **+500,000** new customers

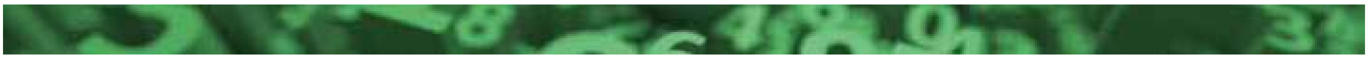
We have expanded access to our services by recruiting **+9,000** new bank agents

We have financed **+50,000** individuals **+8,000** businesses

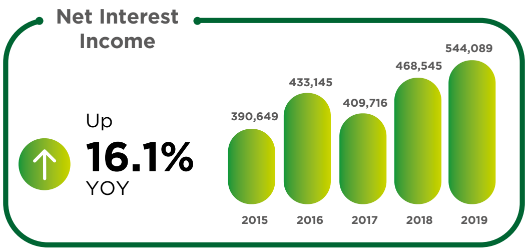
We have reached **+4,000,000** people with our **financial literacy and inclusion programs**

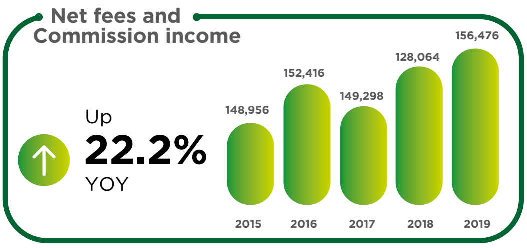
Five years performance highlights

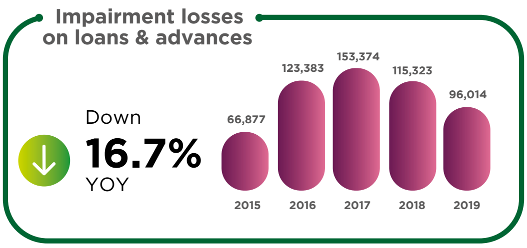
(Amounts in TZS millions)

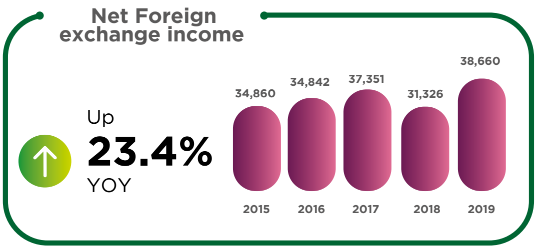


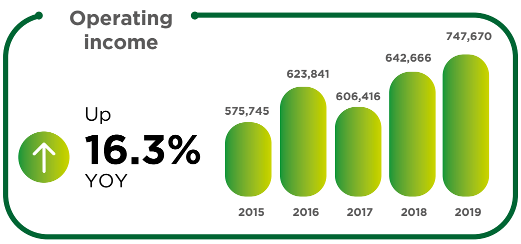
FIVE YEAR TREND

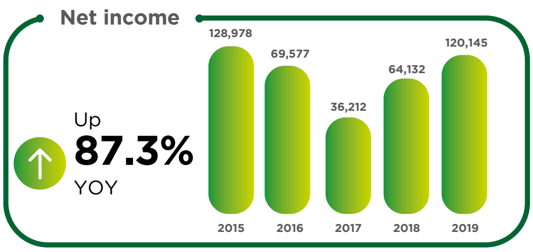


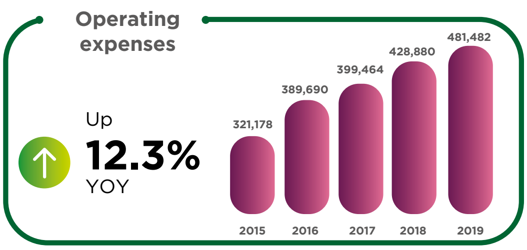


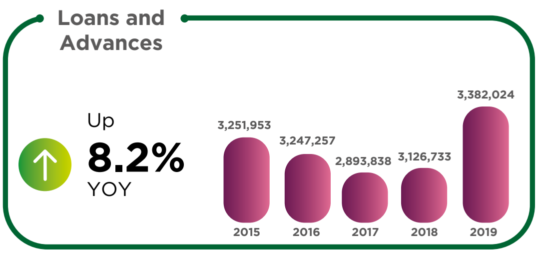


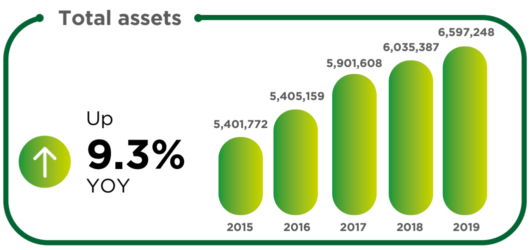


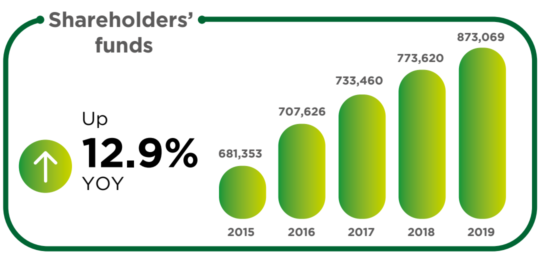


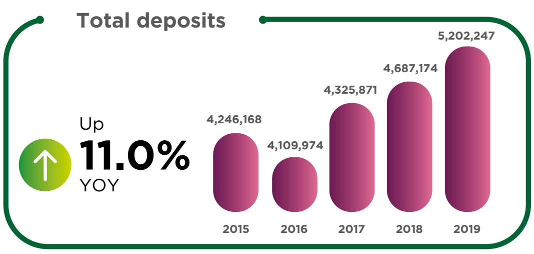


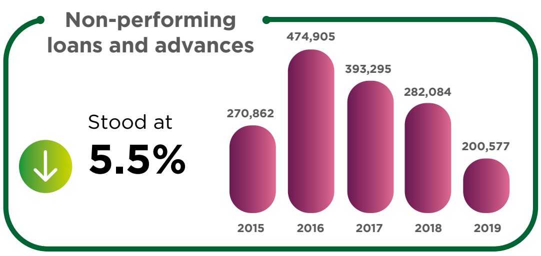




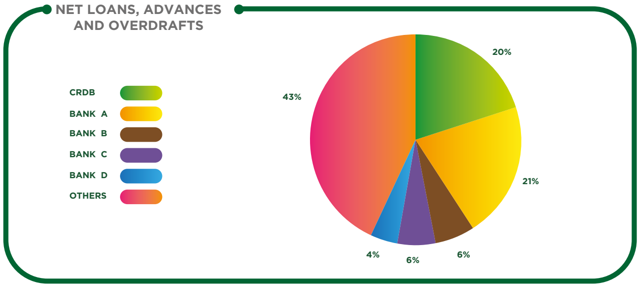


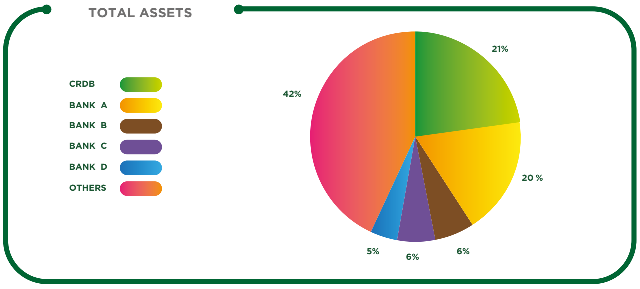


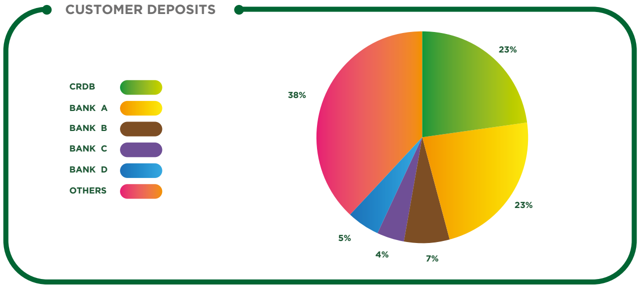


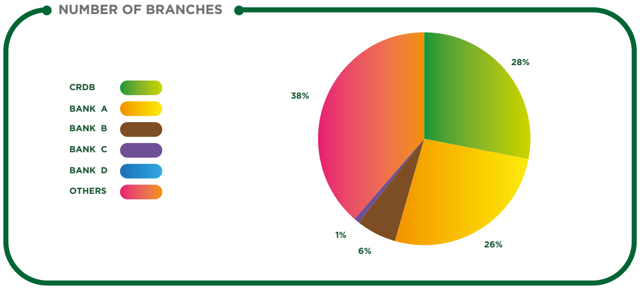


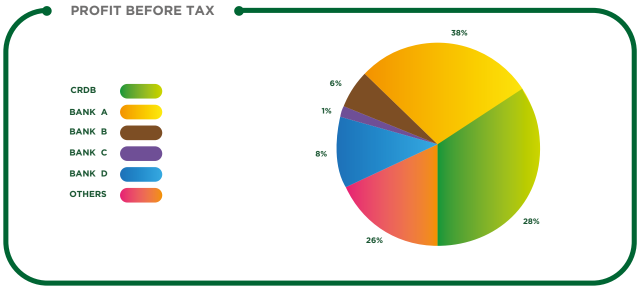
Industry Comparison











Source: Analysis of published unaudited banks and financial institutions results as at 31 December 2019

THE VALUE WE CREATE

FOR OUR SHAREHOLDERS AND INVESTORS

With the significant growth in profit in the 2019 financial year, the Board has recommended a dividend of TZS 17 per share which translates to

TZS 44.4 billion

Shareholders have trusted us by investing in Bank's shares, we are commited to deliver competitive return.

For Our Customers

A more robust network distribution comprising 268 branches *(including franchise branches)* supported by 14,761 CRDB Wakala

We believe that being transparent in our dealings with customers and treating them fairly is key to success in the banking industry. We have a robust mechanism to assure delivery of services to our customers, as they need them.

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

For Our Employees

We also gave permanent employment to **295 interns** who had been with the bank

We distributed over TZS 200.9 billion to our employees through salaries and employment benefits including, a comprehensive medical insurance for staff and their immediate families.

We believe in providing financial stability to our people through employment. The Group directly employs 3,467 members of staff across all our business operations..

Other Stakeholders

The Government

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 Levy, Excise duties etc.

In 2019 we paid of TZS 156.4 billion in taxes and TZS 7 billion as dividends to the government.

Suppliers

We have supported over 500 businesses and procured services from Tanzania and the region.

We understand that in order for us to operate, we have to procure services or obtain resources from the society and some of these resources come as supplies.

How we do it

We strive to continuously engage key stakeholders on a regular basis and in a responsible manner.

In the community

During the 2019 financial year, we lived up to our **commitment and spent**

1% of our 2019 PAT

in supporting initiatives that have impact on society.

VALUE ADDED STATEMENT

Value Added Statement	2019 TZS Million		2018 TZS Million	
Income earned from financial services	**660,397**		611,989	
Cost incurred in provision of services	**(116,308)**		(143,444)	
Value added from financial services	**544,089**		468,545	
Non-operating income	**229,629**		193,554	
Non-operating expenditure	**(279,455)**		(309,184)	
Value – added	**494,263**		352,915	
Distribution of value added				
To Employees:				
Salaries and other benefits	**200,953**	**41%**	160,867	46%
To Shareholders:				
Dividend to other shareholders	**29,119**	**6%**	13,703	4%
Dividend to the Government	**15,285**	**3%**	7,193	2%
To Government:				
Corporate Tax	**49,024**		43,703	
PAYE	**51,019**		42,349	
Skills & Development Levy	**8,547**		7,301	
Excise Duty/ Service Levy and other taxes	**24,104**		20,162	
VAT on services	**23,671**		32,599	
Total Taxes	**156,365**	**32%**	146,114	41%
To expansion and growth				
Depreciation, deferred tax and retained earnings	**92,541**	**18%**	25,038	7%
Value distributed	**494,263**	**100%**	352,915	100%

Our continued pursuit for excellence has not gone unnoticed. Our Group remains a highly recognised bank 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. In 2019, we were recognised in various categories and spheres as listed below:

Our achievements and Accolades

Best Bank In Tanzania 2019
AWARDED BY FINANCIAL TIMES MAGAZINE UK,
THE BANKER AWARDS

Overall winner of Financial Reporting
Overall winner in the banks category
First position in the listed firms' category
Overall trophy for its compliance with the International Financial Reporting Standards among the banks in East Africa
Overall winner in Tanzania
AWARDED BY FINANCIAL REPORTING (FIRE) AWARDS 2019

Award of Appreciation 2019
RECOGNISED BY TAN TRADE

The Best MIMs Company of the Year Banking and Investment Sector 2019
AWARDED BY DSE

Visa Top E-Commerce Acquiring Award
AWARDED BY VISA

Visa Marketing Warrior Award
AWARDED BY VISA

CTI Special Award 2019
AWARDED BY CTI AS A LEAD SPONSOR OF THE PRESIDENT'S MANUFACTURER OF THE YEAR

Certificate of Appreciation 2019
RECOGNISED BY TANZANIA ASSOCIATION OF WOMEN CERTIFIED ACCOUNTANTS

2nd Best -presented Financial Statements
AWARDED BY THE NATIONAL BOARD OF ACCOUNTANTS AND AUDITORS-TANZANIA

Best Innovation in Retail Banking Tanzania 2019
AWARDED BY INTERNATIONAL BANKER BANKING AWARDS

Best Bank In Tanzania 2019
AWARDED BY EMEA FINANCE AT AFRICAN BANKING AWARDS

Preferred Bank on Financial Provision
AWARDED BY CONSUMER CHOICE AWARDS

Most Preferred Mobile Money Services (Bank)
AWARDED BY CONSUMER CHOICE AWARDS

Most Recognizable & Outstanding Brand (Banks)
AWARDED BY CONSUMER CHOICE AWARDS

Most Accessible & Coverage (Bank)
AWARDED BY CONSUMER CHOICE AWARDS

Best trade finance bank in Tanzania
AWARDED BY GTR LEADERS IN TRADE AFRICA

We are East and Central Africa's first Commercial bank to be accredited by UN Green Climate Fund (GCF)

We are East and Central Africa's first Commercial Bank to be Accredited by UN Green Climate Fund.

In November 2019, CRDB Bank Plc was accredited by the United Nations Green Climate Fund as the financial intermediary for the implementation of green financing in Tanzania. The accreditation was announced during the 24th Green Climate Fund (GCF) Board Meeting, in Songdo, South Korea.

The GCF Board, in awarding the accreditation, said an extensive duediligence exercise was conducted to ascertain CRDB Bank's preparedness in managing climate change programs. GCF Director of Private Sector Facility, Ayaan Adam remarked that 'CRDB Bank's accreditation is highly merited because the bank Group has a strong business portfolio and an extensive client base within Tanzania and the Republic of Burundi. Ms. Ayaan noted that the strong footprint puts CRDB Bank in a better place to address climate issues within Tanzania.

CRDB Bank is the first commercial bank in East Africa to get this accreditation, which puts our Group in a very strong position as a market leader and a reliable financial services provider in the country. The accreditation is not only a powerful endorsement of our CRDB Bank brand but also an important milestone Group's history.

GREEN CLIMATE FUND

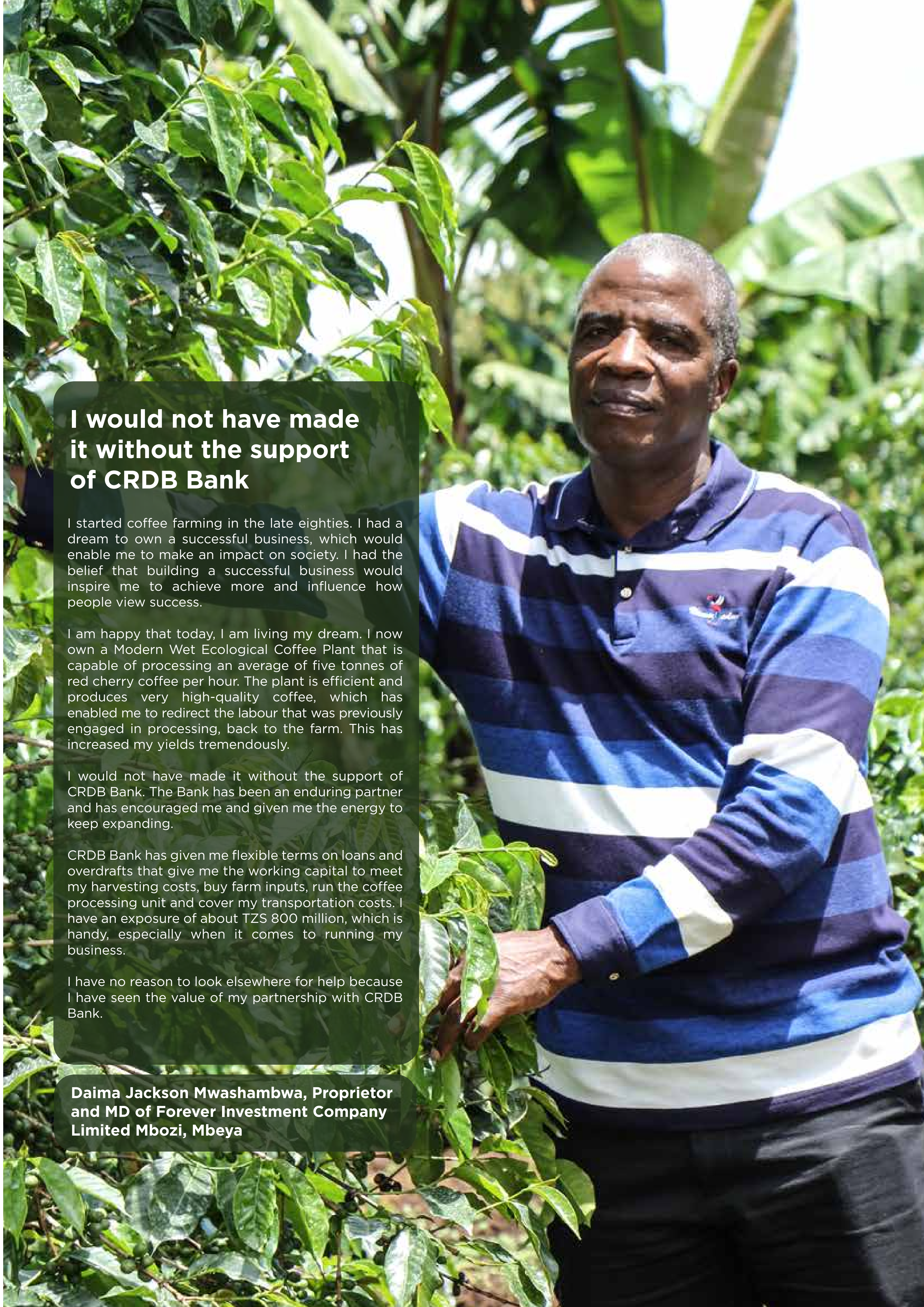
So, what exactly does the accreditation mean for the CRDB Bank Group?

The accreditation provides a platform for our Group to take an active role in championing Climate Change on a global scale. This is because it gives us access to more than USD 250 million, set aside to finance vital green projects in the country. Our extensive network and wide reach makes us a unique partner for the United Nations because we are in touch with the realities on the ground.

As a strategic partner in Climate Action, we will play a vital role in championing the Sustainable Development Goals (SDGs), which aim to make the world a better place. And we are not new to this sustainability conversation. Through our Corporate Social Investment initiatives, we have been engaged in promoting sustainable communities through strong pillars: Health and wellness, Environment, Gender and Equality, Education and Innovation.

As a Group, we are ready to collaborate with the Government on sustainable initiatives, including investments in green energy and safe cities. The GCF accreditation will widen our scope in Climate Action initiatives across the country; which means that we will be able to work with both public and private entities in implementing sustainable development projects, through the provision of affordable loans, guarantees and equity.

The Fund will specifically empower our Group to support sustainable development initiatives in the areas of renewable energy, mass mobility through rapid bus transit systems and railways; provide modern and sustainable housing estates in cities and afforestation.



I would not have made it without the support of CRDB Bank

I started coffee farming in the late eighties. I had a dream to own a successful business, which would enable me to make an impact on society. I had the belief that building a successful business would inspire me to achieve more and influence how people view success.

I am happy that today, I am living my dream. I now own a Modern Wet Ecological Coffee Plant that is capable of processing an average of five tonnes of red cherry coffee per hour. The plant is efficient and produces very high-quality coffee, which has enabled me to redirect the labour that was previously engaged in processing, back to the farm. This has increased my yields tremendously.

I would not have made it without the support of CRDB Bank. The Bank has been an enduring partner and has encouraged me and given me the energy to keep expanding.

CRDB Bank has given me flexible terms on loans and overdrafts that give me the working capital to meet my harvesting costs, buy farm inputs, run the coffee processing unit and cover my transportation costs. I have an exposure of about TZS 800 million, which is handy, especially when it comes to running my business.

I have no reason to look elsewhere for help because I have seen the value of my partnership with CRDB Bank.

Daima Jackson Mwashambwa, Proprietor and MD of Forever Investment Company Limited Mbozi, Mbeya


DR. ALLY H. LAAY
BOARD CHAIRMAN

CHAIRMAN'S STATEMENT

I am excited to present to you the CRDB Bank Group's annual report and Financial Statements for the year ended 31 December 2019.

Year 2019 was the second year of the implementation of our five-year strategy with a focus on digital transformation. I am happy to inform you that the Group's Performance rebounded in 2019, catalyzed by a renewed commitment to delivering a greater experience to our customers and value for our shareholders through the execution of a sound strategy. We focused on driving efficiency in our operations and improving our service offerings to respond to the changing needs of our customers, supported by good credit strategy and rapid expansion of our alternative channels.

I am delighted to report that the Group delivered strong financial results in 2019 with a full year Group net profit of TZS 120.1 billion, an increase of 87.3% from 2018. The Group's Return on Equity (ROE) grew from 8.3% in 2018 to 13.8% in 2019 and Earnings per Share increased by 87.0% to TZS 46.0 up from TZS 24.6 reported in 2018. Our priority is to ensure our performance is sustainable to enable you, our shareholders, to draw tangible returns from your investments. I have confidence in the current Group CEO, Abdulmajid Nsekela, who has provided steady leadership since taking office and continues to implement new business approaches that the Board sees as critical and sustainable.

Generally, the economic growth in Tanzania remained steady in 2019 at 6.8%, driven by increased public investments in infrastructure, manufacturing, agriculture and tourism. The Small and Medium Enterprises (SMEs) sector exhibited positive growth, motivated by the vibrant economic environment a general resilience among the people in the markets we operate. The Bank of Tanzania continued to adjust various measures aiming at stimulating banks' appetite for lending to the private sector. These measures included reduction of Statutory Minimum Reserve (SMR) requirement from 8% to 7% resulting into annual growth of credit to the private sector of 11% in 2019, higher than 4.9% in 2018. Money supply continued to record strong growth, consistent with the sustained accommodative monetary policy and measures implemented to improve the business environment. As of December 2019, the Extended broad money supply (M3) recorded an annual growth of 9.6% compared to 4.5% in 2018.

Tanzania remains our anchor business contributing the biggest chunk of the Group's profitability. Our subsidiaries, CRDB Bank Burundi and CRDB Insurance Broker Limited also helped push our bottomline with great improvements in performance.

During the year, the board passed a resolution to curtail Microfinance operations and merge with the parent company to improve Group's synergy. We have given considerable priority to process optimization, through innovation and transformation across the entire business spectrum. We firmly believe that for us to remain competitive in the rapidly changing business environment, we must constantly innovate for the future.

The Group's ambition to spread wings across the region remains alive and we are excited to see the growth prospects in new markets like the Democratic Republic of Congo (DRC). The progressive change, brought by political stability and the stabilizing economies provide us with the confidence we need to explore the market through strategic investments. We are currently very well positioned to make entry into DRC, which has more than 86 million people.

Digital Transformation

Digital transformation is at the centre of our growth strategy and continues to have a great impact on our business. We have embarked on aggressive adoption of digital technologies and solutions, which continue to contribute to the strong performance and enhanced our service delivery.

Through our current digital offerings, we have been able to serve more than 3 million customers delivering convenience, which has seen a significant reduction of foot flow into our banking halls. In 2019, 86 % of our transactions were generated through alternative channels, mainly digital banking platforms SimBanking, ATMs, CRDB Wakala (previously FahariHuduma) and Internet banking.

Corporate Governance

The Board recognizes the need to balance the interests of all the Group's stakeholders, by ensuring that we protect the investments of our shareholders and observe all laws and regulations. We have continued to strengthen the Group's oversight and risk management practices in line with prevailing laws and regulations in both markets.

Through the ongoing reforms, we have invested in building robust Know Your Customer (KYC) processes and Anti-Money Laundering (AML) policies and guidelines that provide a solid capability to detect and deter irregular activities within our operations.

We are fully committed to meeting the expectations of our regulators and protecting and serving the interests of all our stakeholders.

Board and Management Changes

The Board achieved significant accomplishments during the year, concisely; we approved the new organization structure and staff realignment as well as the new operating model. In addition to that, we conducted a diagnostic study of the Group's ICT Framework and approved the ICT strategy to create an information technology capability for maximum and sustainable value for the Group.

In accordance with our corporate governance procedures, four new members were elected to the board namely, Dr. Fred M. Msemwa (representing a group of shareholders owning between 1 and 10 percent), Mr. Abdul A. Mohammed (representing a group of shareholders owning below 1 percent), Mr. Martin S. Warioba (independent member) and Dr. Edwin P. Mhede, who was appointed to the Board to represent DANIDA Investment Fund (DIF). The latter is replacing Mr. Charles E. Kichere, who was appointed as Controller and Audit General (CAG). I have no doubt that the new Board members bring a broad range of crucial capabilities and skills, given their extensive career background and professional experience. On behalf of the Board, I would like heartily welcome them to the Group.

In the same breadth; I would like to thank Mr. Ebenezer Ngea Essoka, who retired at the end of the year. His invaluable contribution remains of great significance to us and we remain indebted to him. Lastly, Mr. Boniface C. Muhegi and I were reelected to represent a group of shareholders owning less than one percent of the company shares.

To accelerate our growth through transformation, the Board approved the appointment of new Directors to the Management Team, to succeed those who left the Bank during the year. The new directors include Mr. Siaophoro Kishimbo (Director of Human Resource), Mr. Pendason Philemon (Director of Procurement), Mr. Boma Raballa (Director of Retail Banking) and Mr. Godfrey Sigalla (Director of Internal Audit). The Board has full confidence and trust in the new Directors' abilities and vast experience to drive transformation and growth for the Bank.

Dividend Recommendation

I am pleased to present the recommended dividend of TZS 17 per share for the year ended 31 December 2019; payable to shareholders on the register as 30 June 2020. A resolution to this effect will be presented to the Annual General Meeting for adoption and approval by shareholders.

Sustainability

The Group genuinely aspires to be a leader in corporate sustainability and is 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 Group for a strong future.

We are focused on implementing a sustainability strategy that empowers us to create longterm value for all our stakeholders. Specifically, we have reformed the way we operate, taking into consideration the ecological, social and economic environment. We believe that in developing a sustainability strategy, we will be able to foster longevity for the Group. As such, we have adopted a diversified business model, which focuses on optimizing growth and entrenched strong risk discipline, efficient executions and a solid balance sheet.

The Board appreciates the ever increasing role CRDB Bank Group plays in the wider environment to create value for all stakeholders, being a responsible citizen and an environmental steward. We are focused on achieving sustainability by delivering on the responsibility placed upon us by the shareholders, customers and the community around us. Sustainability for us translates to empowering our customers to meet their financial needs and improve their lives while conducting our business in a socially responsible manner and in strict adherence to the laws and regulations of the countries we operate in. We also believe in offering steady employment and development for staff, who are at the core of our business.

We intend to continue lending responsibly, reducing our carbon footprint, mainstreaming the Sustainable Development Goals (SDGs) and playing a leading role as an environmental steward. Today, we are proud to be the first commercial bank to be accredited by the United Nations Green Climate Fund (GCF) as a financial intermediary for Green Financing in Tanzania.

Through products targeting various sectors including agriculture, manufacturing and SMEs, we want to create a dynamic environment for farmers and entrepreneurs to generate wealth by financing the entire economic value chain. Separately, our efforts to drive financial inclusion and support women remain critical catalysts for growth, seeing that they present a unique opportunity for us to create impact. We are committed to supporting the governments in Tanzania and Burundi to achieve their specific growth ambitions by rolling our initiatives that will contribute to growth and sustainability.

Additionally, we continue to extend a helping hand to the community through our social investment initiatives with a view of making a positive impact on society. In line with our broad CSI policy, we have committed to invest 1% of our net profit towards social causes that have a bigger and sustainable impact on the wider community. Building on our strong foundation of corporate social responsibility, we are empowering our subsidiaries to develop their policies and programs, specific to their unique circumstances. During the year, we made significant contributions to various social causes, ranging from healthcare, youth and sports as well as education. A detailed account of our CSI initiatives covered in this annual report.

Future Outlook

The banking sector in markets we operate continues to strengthen and is increasingly becoming competitive as a result of innovations and the rapidly changing consumer needs. In the recent past, the industry has witnessed some consolidation even as it continues to recover from low profitability and high NPLs reported a couple of years back.

As widely reported COVID-19 pandemic continues to affect countries and businesses globally. We are a responsible bank and our priority is to protect the health of our employees, customers and shareholders, while also contributing to the protection of society as a whole.

> **"We believe that in developing a sustainability strategy, we will be able to foster longevity for the Group."**

We have put in place contingency plans in the geographies in which we operate to contribute to the public well being. We have been monitoring the situation and have activated all of the protocols and actions necessary to mitigate the effects of the virus and its spread.

The Group remains committed to working with partners to drive financial inclusion because we believe that greater access to finance increases savings, reduces income inequality and poverty, increases employment, and improves the overall well being of citizens.

Acknowledgements

I wish to deeply thank my fellow Board members for the extraordinary and steadfast support and astute leadership provided throughout the year. I am equally grateful to our customers for their continued belief in our business, as demonstrated through their support.

I also wish to register deep appreciation for the unmatched support and dedication from the management and entire staff. They have worked very hard and beyond the call of duty to deliver real value to our customers.

As a Group, we remain greatly indebted to our shareholders, investors, regulators and the entire workforce of CRDB Bank, for their respective roles in our collective prosperity. We promise to continue pursuing success by being the bank that listens to all our stakeholders.

Pamoja Tunasonga Mbele!

Dr. Ally H. Laay
Board Chairman

ABDULMAJID M. NSEKELA

GROUP CEO & MANAGING DIRECTOR

CEO'S STATEMENT

When I was entrusted to lead the Group in the last quarter of 2018, I was energized by an ambitious vision for our future. Working with a passionate management team, strong Board and the entire dedicated staff has been a great privilege and rewarding experience to me. I would like to thank the Board for their strong and continued support, trust and guidance that has helped to set the tone from top to bottom, in terms of our culture and ability, motivated by our ambition and guided by our core values. Through this, we were able to deliver solid financial performance for the year 2019 and create sustainable value for our stakeholders.

During the year, the Group implemented a new operating model to increase efficiency, optimize service delivery and enhance decision making. I am happy that the new operating model has greatly improved our capability to serve our customers better, delivering strong financial performance and value to stakeholders.

Business Performance

The Group's performance in 2019 has brought to the fore the real value of building strong foundations for growth. Looking at what we have been able to achieve, I am excited that our future signifies greater prospects for growth and that our Group has enormous potential of becoming a financial powerhouse and the go to bank in the region and beyond.

I am pleased to report on some of our key achievements as illustrated by our financial performance in 2019. The Group's profit after tax grew by 87.3% to TZS 120.1 billion driven by a growth of our balance sheet size. This was as a result of improved efficiencies mainly in our processes, operational cost, innovations and a boost in our sales through strategic marketing and targeted customer engagements.

SUMMARY PERFORMANCE

2018		2019
NET LOANS AND ADVANCES TZS 3.1 TRILLION	8%	NET LOANS AND ADVANCES TZS 3.4 TRILLION
TOTAL ASSETS TZS 6.0 TRILLION	9%	TOTAL ASSETS 6.6 TRILLION
CUSTOMER DEPOSITS 4.7 TRILLION	11%	CUSTOMER DEPOSITS 5.2 TRILLION
PROFIT BEFORE TAX 99.1 BILLION	76%	PROFIT BEFORE TAX 174.7 BILLION
PROFIT AFTER TAX 64.1 BILLION	87%	PROFIT AFTER TAX 120.1 BILLION

Our customer deposits grew by 11.0% to TZS 5,202.2 billion, mainly driven by strong growth from retail segment supported by our strong network. Thanks to our CRDB Wakala network, which contributed significantly to this achievement. Total Group's assets grew to TZS 6,597.2 billion; representing a 9% upward movement. The growth in assets and deposits imply a strong balance sheet, which cements our market leadership position as the country's largest commercial bank.

Our quest to support businesses and individuals through credit has returned good tidings as seen in the growth of our loan's portfolio, which rose by 8% to TZS 3,382.0 billion, compared to TZS 3,126.7 billion reported in 2018. This growth was primarily motivated by our sustained efforts to uplift the Small and Medium Enterprises (SMEs) and consumer sectors. Specifically, we launched a host of new lending solutions to the SME sector such as Purchase Order Financing (POF), Certificate & Invoice Discounting for contractors and suppliers; and Safari Car loans for tour operators. These solutions were designed based on a clear and elaborate understanding of the immediate needs among our customers. We established that most SMEs required quick funds to be able to deliver services or goods, especially to the government before they could be paid.

We also introduced two digital loan products: Boom Advance to support qualifying university and college students, especially for the period before their loans are disbursed by the Higher Education Students Loans Board. We also sought to empower urban micro entrepreneurs (machinga), who form a critical part of our retail economy. We took advantage of the government initiative to enumerate the machinga as an opportunity to financially include them into formal banking and launched Jiwezeshe, an affordable loan that they can use to boost their businesses. We believe that micro entrepreneurs play a significant role in facilitating trade and so by giving them access to credit, we would not only accelerate their growth, but also enhance their contributions to the country's economy.

Our subsidiaries has contributed a positive growth with good performance in almost all key metrics. CRDB Bank Burundi SA net profit rose by 146% to TZS 6.4 billion, up from TZS 2.6 billion reported in 2018. This is the highest ever profit for the subsidiary since its establishment in 2012. This growth was also precipitated by an improved business environment, emanating from the continued support we received from the government of the Republic of Burundi. Total assets of the subsidiary grew by 32% to TZS 258.5 billion.

CRDB Insurance Broker Limited posted a 17% growth in net profit to TZS 1.5 billion from TZS 1.3 billion in 2018. The total income generated by the subsidiary stood at TZS 7.8 billion representing 26% growth compared TZS 6.1 billion reported in 2018. The growth was mainly driven by a rise in the uptake of insurance products mainly in medical care, education and tourism.

Banking on innovation, CRDB Insurance Broker Limited, alongside international partners developed exciting products that address unique needs in the market. One of the newly developed and piloted product was a Weather Index based Agriculture Insurance, developed in collaboration with Imperial College of London, Munich Re, Jubilee Insurance Tanzania and the World Food program. The subsidiary also implemented key initiatives, in line with the Group strategy, to improve operational excellence such as enhancing the capacity of its Core Insurance System (Smart Policy) and customizing it to meet both the business and compliance requirements. Undoubtedly, these positive growth by our subsidiaries helped compound the Group earnings, further reinforcing our strength in the market.

Following a thorough review of the microfinance operations and, with the support from the Board, we opted to transform the subsidiary and integrate services with the parent company. Our intention is to leverage the existing infrastructure to expand our distribution footprint so as to deepen access to financial services, especially among the unbanked population. This integration will also enable us to strategically align our resources and improve efficiency to catalyze growth.

In line with the regulator's guidance, we successfully reduced our Non Performing Loans (NPLs) to 5.5% compared to an industry average of 10%. This significant reduction follows our initiative to fasttrack a turnaround of our asset quality by streamlining loan origination and modernizing credit processes, especially monitoring and collection. Our earnings remained strong with the Group expanding its overall market share in Tanzania to slightly above 20%.

In retrospect, the banking sector remained stable in 2019 amidst tightened regulation and enforcement of strict Anti Money Laundering (AML) laws and, the streamlining of forex trading. From my perspective, the tighter regulations presented new challenges and opportunities in equal measure, altering the financial landscape, albeit to a small extent.

I am glad that as a business, we were ready to navigate all challenges that came our way and remained ready and steady to provide services to all our customers, irrespective of the changes.

Our Focus

Customers are the pillar that has strengthened our position in the market as the industry leader. Our activities and initiatives will be customer centric because we want to ensure that we not only retain them, but also expand our base through concerted engagements. We are keen to provide products that speak to our customers' unique needs and exceed their expectations.

We are committed to enhancing the customer journey to provide an exceptional experience and enable faster and more secure banking for all our customers. We will continue to invest in technology, talent development and IT security to cement our position as a progressive player in this evolving environment

Lastly, following the government's commitment to accelerate industrial growth through manufacturing, CRDB management and staff are committed to play an active role in supporting the country's economic growth. We will do this by innovating solutions that will support the critical sectors. Our long standing commitment to support the agriculture value chain remains one of our focus areas; even as we look towards other sectors such as infrastructure, real estate and tourism.

Future Outlook

We are prepared to sustain good performance in 2020, driven by a collective desire to achieve sustainable growth. We are optimistic that despite the oncoming elections in both Tanzania and Burundi, the two economies will remain stable and provide a supportive business environment for growth.

We also alert to the likely economic impact of the COVID-19 pandemic to the global supply chains and the local economies. Being a global crisis, the pandemic is likely to have significant knock-on implications on our business projections. We will continue to adapt our strategies to the changing realities and deploy mitigation measures to safeguard our people and the business. Specifically, we will accelerate all projects in line with our digital transformation strategy, increase focus on non-interest income activities, portfolio quality management, and continue lending to sectors that are likely to be unimpacted. Our priority is to ensure that we maintain our deposit growth for liquidity sustainability.

Notable Milestones

Substantively, 2019 remains a year of success and great beginnings. I am thrilled to share some of the milestones reached, growing from various strategic initiatives adopted since the beginning of the year. These achievements illustrate our commitment for growth sustainability.

United Nations Green Climate Fund Accreditation

GREEN CLIMATE FUND

CRDB Bank has been accredited as a financial intermediary in for the UN's Climate Change Program. The Bank is the first commercial bank in East and Central Africa (and 3rd in Africa) to receive this prestigious endorsement. The accreditation demonstrates our commitment to supporting Sustainable Development Goals (SDGs).

Supporting Economic Growth

We have taken part in financing key infrastructure projects, being championed by the government to spur economic growth. We provided guarantees for the multi-billion Nyerere Hydropower Project, Standard Gauge Railway (SGR), and partly funded the construction of the terminal 3 of the Julius Nyerere International Airport (Terminal 3).

Financing Agriculture

We provided a range of financing solutions for commercial farmers in; coffee, tea, cashew, and cotton. Notably, we advanced loans to cotton farmers and collaborated with the government to create linkages with buyers in Asia and Europe.

Supporting Industrialization

We developed specialized solutions for the industrialization agenda, including innovative financing and lending to encourage investments. The Bank also held regional.

Deepening Financial Access

We have expanded our distribution network by increasing our agency banking outlets to 14,761 spread across Tanzania.

Global and Local Recognition

The Group received numerous awards, which recognized our innovation and transformative initiatives such as The Best MIMs (Main Investment Market Segment) award by the Dar es Salaam Stock Exchange; Best Innovation in Retail Banking by International Banker Magazine, Overall Winner Best Presented Financial Statements (FiRe Awards) and Best Bank in Tanzania by Financial Times Magazine (UK), organized by The Banker. We were also conferred the "Best Local Trade Finance Bank in Tanzania" award by Global Trade Review (GTR).

New Head Office

During the year, the Bank continued with the construction of our head office building in Dar es Salaam, Tanzania, which will provide our staff with a functional and spacious space to work in and run our operations. The new building is expected to be completed before the end of the year 2020.

Acknowledgments

I wish to take this opportunity to thank the Board of Directors, the Management Team and all members of staff for their commitment and dedication which has enabled us to make commendable strides. I also wish to extend my heartfelt gratitude to our customers, shareholders, and investors for allowing us a chance to serve and trusting us with the business. We remain committed to building a value system that responds to our customers' needs and our shareholders' expectations and beyond.

Pamoja Tunasonga Mbele!

Abdulmajid Mussa Nsekela
Group CEO & Managing Director

Boom Advance has enabled me to focus on my studies

I want to be a banker. I grew up in a humble setup, raised by a single parent. My mother sold maize to pay for my school fees and this is how I got here.

Life on campus is not easy and many of my colleagues rely on loan sharks to get money to use as we wait for boom. Loan sharks are very expensive because they charge exorbitant interest rates.

I was introduced to Boom Advance by my friends at the university and since then, my life has changed a great deal.

I borrowed, 120,000 shillings and used it to take care of my immediate needs on Campus before I received my boom.I was advised that I had 60 days to repay which was enough.

I am glad that Boom Advance has given me the peace of mind I needed and enabled me to focus on my studies. I no longer worry about lacking money because I know how to get started whenever we are in session.

Gregory Yuda Luvinga, 23
Actuarial Science Student,
Institute of Financial
Management (IFM), Dar es Salaam

OPERATING ENVIRONMENT

OUR EXTERNAL ENVIRONMENT

As a leading financial services provider, we face a dynamic operating environment, which presents business challenges as well as new opportunities. We continuously work to adapt to these changes and navigating challenges to deliver on our promise to our customers and shareholders.

Economy

Tanzania's economy continues to grow steadily, with high public investment along the industrialisation agenda and Infrastructure projects. The Burundi economy remains stable with steady growth from 2018.

Overview

As the largest commercial bank in Tanzania, our operations are largely influenced by our operating context. This therefore requires that we support initiatives by the national government to achieve sustainable development. The Bank Group plays vital role in facilitating trade and finance in key sectors of the economy including agriculture, construction, mining, manufacturing and trade sectors. This is aimed at creating opportunities for growth and to foster access to finance across territories through our alternative channels.

Outlook

Looking forward, the Group will continue to support economic growth by facilitating trade and finance in the industrialisation drive and country infrastructure development Projects. The Group commits to develop innovations to solve problems affecting individual customers, small and medium-sized enterprises (SMEs) as well as large businesses.

Regulatory Environment

The Banking environment remains heavily regulated. During the year, the Group adopted the new International Financial Reporting Standards (IFRS) 16 on Leases in January 2019. The Industry witnessed sanctioning and penalties to banks for violation of Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) regulations. During the year, the Central bank of Tanzania made changes in the computation of regulatory capital ratios by removing the requirement of exclusion of intangible assets in the computation of Tier 1 and abolition of the requirement to maintain 1% general provision on unimpaired loans.

Impact

The adoption of IFRS 16 in reporting has expanded the Bank's balance sheet and significantly changed the income statement. The changes issued by Bank of Tanzania resulted in improved regularoty capital ratios.

Response

The Group has proactively adopted this change and has implemented the IFRS 16 reporting standard from January 2019. The Group will continue to implement Risk, compliance and governance best practices in all our operations.

Competition

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

Impact

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

Response

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

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. Technology is instrumental in digitising banking and building capabilities. The regulator (BoT) is also expected to introduce Tanzania Instant Payment System (TIPS) by June 2020 that will connect all banks and service providers under one platform to enhance efficiency, cost effectiveness and security of customer's funds.

Impact

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

Response

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

Customer

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 offering a distinct proposition to the customer for convenience.

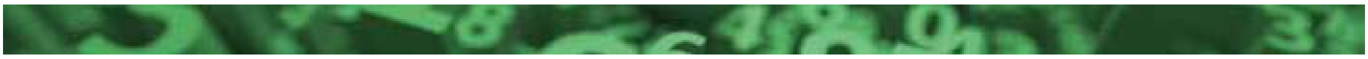
Impact

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

Response

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

HOW WE ENGAGE WITH OUR STAKEHOLDERS



CRDB Bank Group is in regular dialogue with a wide range of stakeholders, who represent a diverse set of priorities and interests. Our stakeholders vary from our employees, our customers, regulators, partners, governments and the community around us.

In conducting our business, we always endeavor to consider the needs and opinions of our all stakeholders so that we create value. Equally our business plays an important role in enabling people to meet their financial needs. We are also committed to supporting economic growth of the countries we operate in. The Group communicates regularly with stakeholders at various levels, addressing a wide range of material aspects. The frequency and type of contact we maintain with our various stakeholders is diverse. We consult with the Tanzanian government and the Regulator (Bank of Tanzania) on a regular basis regarding operational and policy matters. The Group has plans in place to deal with service disruptions to our customers, and we conduct system upgrades consistently to guarantee availability of our services.

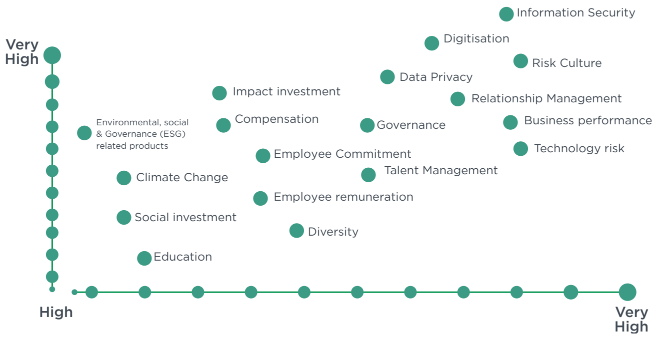
We regularly invite our stakeholders to engage with and share information about day-to-day operations and endeavor to ensure transparency in our business. Most importantly, we conduct our business in strict adherence to the laws and regulations governing the banking sector in Tanzania and Burundi. The Board of Directors is actively involved in these engagements.

Issues addressed in our stakeholder consultations are determined on the basis of the material aspects that guide CRDB Bank Group and, which are reported in the annual report. A subject is deemed of material importance and included in our materiality matrix, when it reflects a significant economic, social or environmental impact of the Group, or when it influences the decision making of our stakeholders.

2019 MATERIALITY ANALYSIS

CRDB Bank Group has adopted a consultative approach in analyzing the Group's materiality. This Annual Report will be the first to illustrate the Group's materiality, following our assessment of internal and external stakeholders' expectations. In this analysis, we have considered the most important themes, which will form the basis of the future reporting. We plan to hold extensive consultations with our stakeholders and update the matrix in 2020.

Issue Matrix



Business performance remains a very critical topic with our stakeholders as an industry leader and a publicly listed company. Our shareholders have placed a responsibility on us to deliver a robust performance in terms of profitability and a high return on equity. Our engagements with investors address some of the strategic actions that we are taking to ensure that the good performance we achieved in 2019 across our operations is sustained and that the group continues to improve.

Our mediumterm strategy addresses digitization, which is at the centre of our growth plans. In 2019, we accelerated our digital transformation journey, which targets to accelerate the Group's digital adoption and optimize earnings, while creating convenience for our customers. But with digitization comes a high sense of responsibility on our part, especially with regard to information security and data privacy. This is why we have put these topics high in the hierarchy of our priority items. We have also considered the risks associated with technology.

Employees remain at the centre of our operations because they are the cog in the wheel of success in our business. In engaging with our employees, we have identified critical areas of focus, namely talent management, fostering employee commitment, remuneration and diversity. We are approaching these topics openly because our intention is to motivate our staff to deliver robust performance for our shareholders.
As you would later find out in this report, our attitude towards risk is adequately defined. We are embracing a risk culture that engenders proactivity in identifying, managing and monitoring to achieve an optimal risk reward profile. We are committed to meeting our stakeholders' expectations in mitigating risks through a robust enterprise wide risk management framework that has well defined internal structures, adequate processes, systems and policies, which monitor and help to mitigate existing and prospective risks.

The Group has also placed considerable emphasis on the environmental, social and economic wellbeing our stakeholders. This has been demonstrated through the development of products that support social growth, enable customers to meet their financial needs and contribute to the economic growth of the countries we operate in. We believe that in doing this, we will create a bigger impact and achieve a more sustainable society. More importantly, we also recognize relationship building as critical ingredient to our growth. We continue to engage with our stakeholders closely, especially our customers with a view of building better relationships and understanding their needs better.

The Group is also keen on creating an impact on the ecological environment by taking an active role in supporting green initiatives. Our primary goal is to reduce our carbon footprint and actively support Sustainable Development Goal 13 Climate Action. These efforts have resulted in the Group's accreditation as a United Nation's Green Climate Fund entity, responsible to fund green initiatives. We are the first commercial bank in East Africa and the third in Africa to receive this prestigious endorsement.

Our approach to stakeholder relations

We use a variety of approaches, including focus groups, themed discussions and one-on-one meetings, to engage with our stakeholders. We also conduct surveys on customer loyalty and employee engagement, so as to understand and address the issues that are material to its long term success. The Bank has a clear criteria and principles that it employs in these engagements:

Transparency and Active Listening

We endeavour to build trust and favour long term relationships. As such, the Bank has entrenched communication practices, which guarantee that the information supplied to any stakeholder is clear, true and appropriate as well as complying with prevailing legislation and best market practice.

Constructive and Continuous Dialogue

We encourage opinion sharing as well as open, constructive and continuous dialogue with all our stakeholders to ascertain their true perceptions, expectations and ensure that these are taken into account in the decision making process to provide balanced responses.

Communication and dialogue channels

With the considerations above, CRDB Bank Plc has implemented various formal and informal mechanisms to allow it to maintain an orderly relationship with stakeholders and improve mutual understanding.

The Department of Corporate Affairs has developed specific platforms and channels for the Bank's various stakeholders. These are managed by the different areas and departments as frequently, as necessary and appropriate.

DEFINITION OF MATERIAL ASPECTS

- **Data privacy** - refers to the proper handling of data – consent, notice, and regulatory obligation.
- **Education** – the process of enlightening people, mainly through a curriculum and in a school environment.
- **Impact investment** – refers to investments made with group funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return.
- **Business performance** – a holistic view of the business achievements in terms of financial and non-financial metrics.
- **Risk culture** - is the system of values and behaviors present in within our organization that shape risk decisions of management and employees.
- **Employee commitment** - the level of satisfaction, and engagement among employees.
- **Talent management** - commitment to recruit, hire, retain, and develop the most talented and superior employees available in the job market.
- **Diversity** - employing people who may be different from each other and who do not all come from the same background.
- **Governance** - the way in which our business is controlled by our board.
- **Social Investment** - policies designed to strengthen people's skills and capacities and support them to participate fully in employment and social life.
- **Information Security** – a management process that focuses on controlling and monitoring organizational risk that arises through data and information assets inside and outside an organization.
- **Digitization** - is the process of changing from analog to digital form.
- **Relationship Management** - the supervision and maintenance of relationships between the Group and its external partners, especially customers.

CRDB Bank Group Emerged Overall Winner of the Financial Reporting (FiRe) Awards 2019.

Stakeholder	Main communication and dialogue channels
Customers	• Customer Service Office/ Call Centre (letter, phone, online form website, SMS) • Regular Service Quality surveys (call rating) • Social Investment Survey (Annual) • Blog, Twitter, Facebook, Instagram and other social media platforms • Periodical publications/special issue dispatches • TemboNews Newsletter • Annual Customer Loyalty Survey • Daily interactions on social media • Daily interactions on CRDB Bank Live chat • Customer engagement events such as Customer service week, Day of the African Child and International Women's Day. • Customer appreciation events.
Shareholders & institutional investors	• Annual General Meeting/ Annual Meetings • Shareholder Service (phone, email) • Annual opinion surveys • Corporate Events (throughout Tanzania and Burundi) • Emails, printouts and SMS with corporate information • Shareholder Appreciation Events • Institutional presentations • Meetings with analysts (financial and sustainability) • Public Awareness Seminars (PAS) and forums • Shareholder Magazine/publication • Annual and Quarterly Reports • Investor Relations section on CRDB Bank website • Focus groups • Round tables • Seminars and forums • Investor conferences and presentations
Employees (Staff)	• Weekly Dispatches (From MD's Desk) • MD's Sessions (with branch teams, branch controllers and Branch Directors. • Confidential whistle blowing channel/Fraud Hotline • Annual Workplace climate survey • Email Announcements • "Employees" section on intranet • Management Training and Apprenticeship • Videoconferencing/ ICT Collaboration. • Dialogue with trade union representatives • E-learning portal • Training • Management forums and seminars • Weekly marketing internal communication

Stakeholder	Main communication and dialogue channels
Community	• Strategic Media Relations through the PR Unit • Attendance of forums, workshops, competitions, talks, conferences or round tables. • Meetings with regulators, NGOs and third sector organizations • Participation in industry initiatives • Contact with specialist bodies and institutions • Collaboration with related entities concerning CSR to foster responsible initiatives and disseminate best practices. • Programme to inform the Bank of various official institutions (parliamentary, diplomatic, judicial, etc.) • Financial literacy and inclusion Initiatives
Suppliers	• Online consultations, phone and mailbox • Managers
Industry Bodies	• Meetings • Participating in Advisory Panels/Committees • Conferences
Regulators	• One on one meetings • Regular communication • Active implementation of regulatory requirements and involvement in regulatory oversight processes.
Government	• Courtesy Calls • Conferences and speaking opportunities (Presentations and facilitation) • Regular written communication/Policy Brief/White paper • Appreciation Cocktails • Regular interactions through Government Relations and Regulatory Affairs teams. • Participation and sponsorship of government events and initiatives • Participation in government outreach activities arranged by government institutions.

BUSINESS REVIEW

FREDERICK B. NSHEKANABO

CHIEF FINANCIAL OFFICER

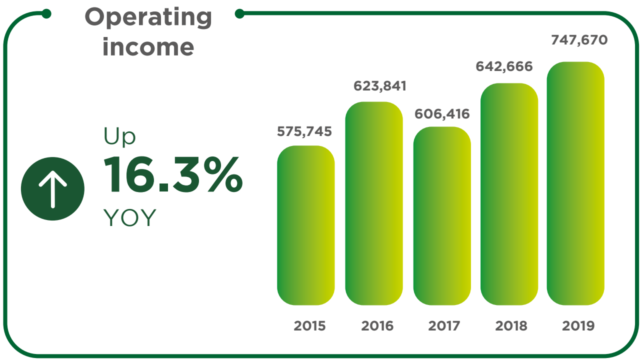
CFO'S STATEMENT

CRDB Bank Group wrapped up 2019 with a remarkable performance, TZS 120.1 billion in net income, 87.3% increase over last year, reflecting great contributions from all our business segments.

The good results were driven by growth in volume, improved credit, favorable currency translations and a positive operating leverage. I am glad that our efforts to entrench sustainability in our business continue to bear fruit.

Overall, building on the gains we have made from the ongoing transformation initiatives, we achieved a notable performance across key metrics compared to the previous year. Despite the heightened competition in the marketplace, we successfully grew our market share and improved our asset quality on the back of supportive operating environment in the entire banking industry.

Our performance was highlighted by a growth in profit before tax of TZS 174.7 billion, which is a 76.3% increase from TZS 99.1 billion reported in 2018. Total income was TZS 747.7 billion, an 16.3% growth compared to TZS 642.7 billion reported in 2018 billion, mainly driven by a strong growth in loans and notable contribution from digital banking products.

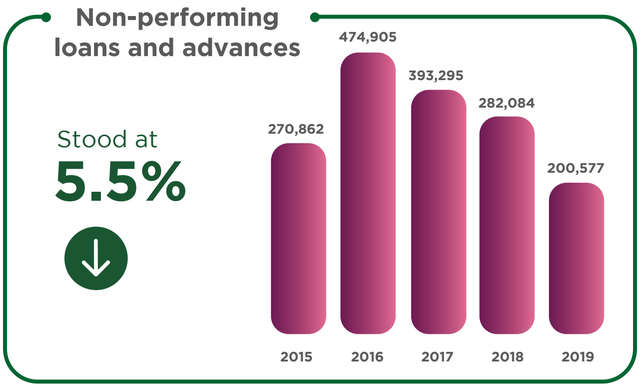


Operating expenses for the year recorded an annual increase of 12.3% to TZS 481.5 billion while cost to income ratio stood at 64.4%, primarily due to business growth and increased focus on building internal capabilities for enhanced performance. Our staff cost, which accounted for 54.1% of total operating expenses increased by 23.8% YoY to TZS 260.5 billion. This increase is attributed to the operationalization of the new operating model, separation costs to certain members of management and a change of accounting treatment of some staff costs.

With these positive achievements, we are now on a steady path to delivering value to our shareholders as reflected in the growth in our Earnings Per Share ("EPS"), to TZS 46.0, compared to TZS 24.6 recorded in the previous financial year. We also achieved a healthy return on equity ("ROE") of 13.8% compared to 8.3% reported in 2018.

Asset quality

The Group continued to maintain a healthy balance sheet with total asset of TZS 6,597.2 billion. Earning assets accounted for 77.7% of total Group assets. Our loans and advances grew at 8.2% to TZS 3,382 billion in line with improvement in the market growth of credit to private sector. We continued to focus on our retail franchise, and improved our offerings; as a result, the segment grew by 15.1% while corporate segment grew by 10.4%.



The NPL ratio as at 31 December 2019 was 5.5%, which is an improvement from 8.5% recorded in 2018. This was achieved through the execution of proactive NPL containment strategy, which aimed at improving the quality of the loan book and write offs in line with the regulatory requirements.

Liquidity

During the year we maintained a close monitor to the Group's liquidity position, with liquidity coverage ratio at 25.8%, above regulatory minimum ratio of 20%. Our customer deposits grew by 11% to TZS 5,202.2 billion, mainly driven by a strong growth in Current and Savings deposits (CASA); contributing 79% of the total deposits. The Group's loan to deposit ratio ("LDR") remained prudent at 65%, and adequate to support our future business growth. The improvement in Bank's liquidity and funding enabled the Group to repay senior debts amounting to TZS 55.2 billion, ahead of contractual maturity and thereby reducing funding cost.

Capital

The Bank remained well capitalized with Tier 1 and Total Capital ratios at 17.2% and 17.4% respectively, well above regulatory requirements. During the year, the Bank of Tanzania continued to review the capital framework and made changes in capital computation, exclusion of intangible assets in computation of Tier 1 and abolition of the requirement to maintain 1% general provision on unimpaired loans.

Outlook

In 2020, we remain optimistic of a stable and supportive local business environment. Two of our operating geographies (Tanzania and Burundi) are scheduled to hold general elections in 2020 however, we are positive of smooth elections. We also take note on the recent global economic developments including novel Corona virus (Covid-19) outbreak that may have impact in 2020 performance. We will seek to leverage on our strong balance sheet, wide network and regional presence. We are confident our business model will continue to deliver strong financial performance and deliver value to shareholders. We will also continue to focus on improvement and investment in our ICT infrastructure and expansion of our digital network, aiming at responding to customer needs and deliver distinctive customer experience throughout our diverse touch points.

Frederick B. Nshekanabo

Chief Financial Officer

CRDB Bank has empowered me with great entrepreneurship skills

I started my business over 10 years ago, with focus on crop farming specifically Sunflower and Rice. My initial engagements with banking services were in 2012 - 2013.

My first ever loan was through CRDB Bank. I took a loan that amounted to TZS 30,000,000 through the Mwanjelwa branch. This was after failure to get financial support services from other institutions because I did not meet their qualifications. The faith that CRDB bank officials showed me motivated me to put in hard honest work and not give up on my entrepreneurship dream. Since then I've take loans several times and my last loan was one hundred and fifty million (150,000,000).

CRDB has also given me a great entrepreneurial education. I was among the few customers who traveled to Malaysia to learn through practise and exposure. This bank has given me a precious opportunity to be a woman who is trusted and respected in my community. Since I started benefiting from CRDB bank loans I have been successful in growing my business and becoming one of the biggest sunflower oil traders in Mbeya. I've also been able to build a nice house and also build a small hotel that is in the final stages before opening. Likewise, I have grown rice fields and even bought my own car.

In fact, CRDB Bank is an excellent bank that caters to the needs and aspirations of many women. This bank listens, this bank has good and loving business consultants, their services are good and guaranteed.

Sofia Alphonce, 46 Entrepreneur, Mbeya

SUCCESSFUL EXECUTION OF OUR STRATEGY

Tanzania remains our key market contributing the biggest chunk to our profitability for both banking and insurance business. Burundi continues to portend good prospects as demonstrated by our improved performance and the stable business environment in 2019.

The Banking sector in Tanzania is rapidly evolving with key innovations in payments and digital banking driving growth. In the same breadth, there's a growing competitive environment with players investing more in giving their customers a good experience. As a Group, our focus is on the customers because they are the pillar that has propelled us to the leadership position we occupy today. We are keen to provide a unique experience and help our customers meet their financial needs, while creating shared value.

To achieve a distinctive experience for our customers, we will therefore continue investing in key business drivers namely: Business Growth, Service Enhancement, Channel Optimization, Technology Enhancement, Operational Efficiency, Credit Management and People.

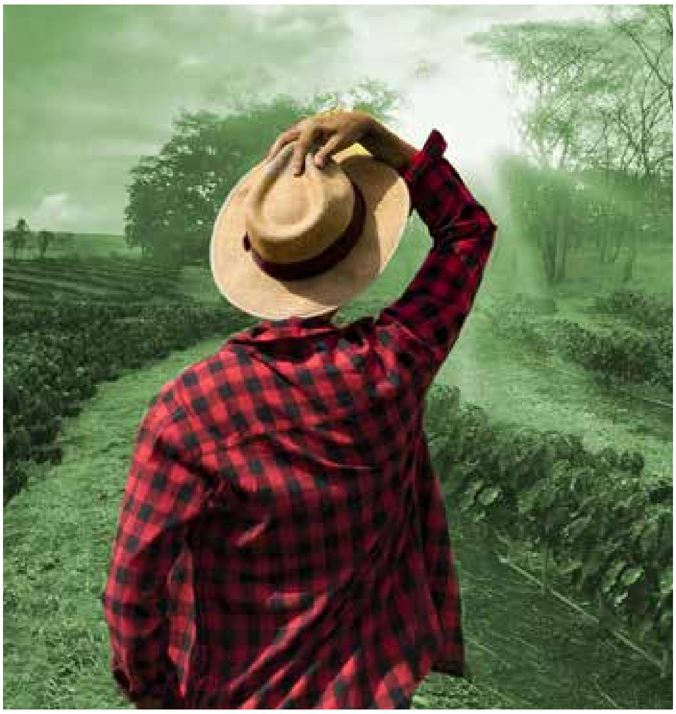
Business Growth

Our results reflect strong growth, evidenced by an increase in net income, and growing total deposits and loans to clients. These significant achievements were made in the context of a smart strategy to unlock the Bank's potential through holistic business transformation. The transformation focused on changing the business set up to improve decision making, increase accountability, drive efficiency and optimize performance. In June 2019, we deployed a decentralized operating model which has reformed our approach to business and created greater visibility on the entire business. We rolled out a zonal operating model, which has improved our branch operations by delivering a simplified branch management system.

In driving profitability in 2019, we rededicated our efforts in improving our processes to enhance efficiency and increasing productivity among our staff.

Service Enhancement

CRDB Bank Group desires to be the provider of choice for financial solutions to our customers to deepen access and deliver sustainable growth. We have adopted a holistic view of customers and their needs to enable us to personalize their experience, which we believe will be a key driver of growth in the coming years. We offer products and services which suit our customers in their life's journey. Steadily, we are transforming from being a product centred bank to a customer focused organization to entrench customer loyalty. Today CRDB Bank Group boasts of over 3million customers in Tanzania and Burundi with a growing youthful market segment. The youthful segment gives us a unique opportunity to accelerate our digital transformation by investing in future tech and more mobile and internet based solutions.



For us, delivering a distinctive customer experience sits at the core of our business strategies, this is why we are seeking to have continuous engagements with all our customers and stakeholders. One of the initiatives is entrenching a service culture by adhering to our values, which elaborately speak to customer centricity.

All our employees know whether they are directly or indirectly in contact with the customer or work in the back office, they have a stake in customer engagement and customer management. That has been the essence of the training and the culture change that we are driving within the organization.

Besides, we have other channels for interacting with our customers including a 24 hour call centre and social media platforms. Ultimately, our staff are responsible for driving customer satisfaction.

Channel Optimisation

As a leading player in the financial services sector, we are keen to deepen access to financial services because we believe it has a bearing on our sustainability. This is what has largely informed our expansion strategy, which focuses on optimizing our delivery channels.

We have significantly expanded our alternative banking channels and placed considerable weight on digital banking, which we see as a cost effective way of opening services to more people. We believe that digital banking is the future and presents a good opportunity to reach the unbanked population, especially considering the high penetration of mobile phones in the country.

We have enhanced our digital banking offerings SimBanking and Internet banking and accelerated adoption, which has seen a rise in our digital transactions against the overall total of bank transactions recorded in 2019; of which 86% are through alternative channels.

The ambition to diversify our channels started in 2013 when we became the first bank in Tanzania to roll out agency banking. We deem agency banking as a cost effective way to augment our network distribution and reach more people in remote places as opposed to the traditional brick and mortar. In 2019 alone, we signed up more than 9,000 agents bring our total number of banking agents to 14,761, to complement our branch network of more than 268 and 560 ATMs in Tanzania mainland, Zanzibar and Burundi.

Fundamentally, we have made a commitment to work with strategic partners including Mobile Network Operators (MNOs) and Finetchs, recognizing that mobile operators are instrumental in driving financial inclusion, especially regarding financial transactions through the mobile.

Technology Enhancement

To meet current needs and anticipate future trends of our customers, we are continuously innovating new products and services that aim to simplify the customers' banking journey. More importantly, we are accelerating our digital channels to expand our business and reach more people. Towards this, we have established a Innovation and Digital Tranformation unit within the Business Transformation Directorate that is responsible for monitoring trends and creating new solutions to keep up with changes in the market.

Through our current digital offerings, we have been able to serve more than 3 million customers delivering convenience which has seen a significant reduction of foot flow into our banking halls. In 2019, 86 % of our transactions were generated through alternative channels, mainly digital banking platforms SimBanking, ATM, Agent banking and Internet banking. The performance of digital banking products continues to show growth in transaction numbers and volumes with more than TZS 7,879 billion transacted through our SimBanking platform during the reporting period.

The Group's investment in technology is being channelled towards enhancement of service to deliver reliability and scalability. In 2019, we continued with our strategic investments in improving our core banking system, upgraded our IT systems to achieve optimal uptimes. From a sustainability perspective, the enhanced digital and IT capabilities have enabled us to automate processes and boost efficiency thereby reducing costs. This has helped us to lower our environmental footprint while at the same time optimizing distribution.

As we continue to focus on our system perfomance improvement, we have established a network monitoring centre where all our IT systems are monitored in realtime. Our IT team conducts random quality checks to ensure consistent service and system integrity. We have also initiated enhancement of our system security to guarantee integrity, availability, and confidentiality of our platforms therefore minimising the threat of system breach. We implemented a customer data and privacy model where staff can only access the information they need when serving customers.

We, however, remain alert to the possible risks of digital innovation. To mitigate associated risks such as malware, phishing and scamming, we have put in place measures to safeguard our operations. We have adopted a cyber risk management framework and trained our staff to proactively handle the emerging threats.

We are also exploring opportunities in Financial Technology (Fintech), as part of our broad strategy to build agility and efficiency in our financial offering to meet the quickly evolving set of customer expectations. This will be achieved through strategic partnerships and possible direct investments.

Operational Efficiency

To keep up with the rapidly changing business environment, we are continuously improving our processes, upskilling staff and harnessing systems to meet customer expectations and reduce the cost of banking. Our new operating model has helped a great deal in transforming service delivery by creating efficiency in decision making and branch operations.

In the wake of digital disruption, increased corporate conduct scrutiny and tighter regulatory environment, the need for efficiency is now more important than ever. To navigate these challenges, we have developed an end to end solution for managing, reviewing and analyzing credit applications, which has speeded up loan processing and provides better tracking and analysis of customer credit history. Our credit review process provides for faster decision making, annual credit renewals and performance of periodic credit reviews.

To improve our purchasing culture, we have streamlined our procurement process to speed up the buying cycle, from the onboarding of new suppliers, service delivery, and payment of suppliers. Further, we appraised most of our suppliers as part of our annual performance management exercise meant to improve turn around time.

Agency banking continues to be a big driver of our non branch business. To accelerate growth, we have created a framework for identifying and recruiting agents to expand our services.

Employees remain the biggest drivers of efficiency in our business. As such, we continued to invest in programs aimed at enhancing the skillset across the Group through training. The drive towards a more efficient Bank is in line with our sustainability agenda which speaks of 'building a bank of the future'.

Credit Management

Credit risk remains a critical area of focus for our business, because of the bearing it has on our growth and performance. We have adopted a robust credit risk management framework, which anticipates, monitors and manages potential risks to keep the business insulated at all times. During the year under review, we implemented stringent Non Performing Loans (NPLs) containment strategy, which focused on streamlining loan origination, modernizing credit processes, especially monitoring and collection. We have also invested in building the capacity of teams to improve loan appraisal decisions.

We also have developed an end to end solution for managing, reviewing and analyzing credit applications, which has improved our turnaround time and provides better tracking and analysis of customer credit history.

People

At CRDB Bank Group, we believe that our people are the primary stakeholders in our business. Our success today has been brought about by our people and therefore remain our priority. Our acquisition, onboarding, development, succession and compensation of employees form an integral part of our human capital strategy.

“Over the past year, we made far reaching reforms in how we remunerate our staff as well as equipping them with the necessary skills and tools. We also confirmed 295 interns, who had been with the bank for a long time. We also have developed a management trainee programme to upskill at least 374 staff every year from across the Group and prepare them for leadership positions.”

We are working towards increasing the number of women in managerial leadership from the current 29% to 35% in 2020. This is through mentorship programs such as SHE initiative programme, which targets to empower young women into leadership.

We recognize employees’ contribution and provide competitive, performance based remuneration. Every year, the Group recognizes best performing employees in the areas of customer service, sales, integrity, creativity and teamwork among other qualities. We plan to launch CEO Awards that will recognize exemplary performance in key areas in line with our cultural transformation initiatives.

To foster staff engagements, the senior management regularly engage staff through various platforms such as video conference, staff meetings and periodic morning sessions. The primary objective of such engagement is to listen to their needs to better understand their expectations and receive feedback.

Our growth strategy recognizes the importance of having a healthy workforce to drive productivity. To date, all our employees are signed up to comprehensive medical insurance, which covers them and their immediate family members.

To further improve productivity, we have rolled out a robust wellness programme meant to reduce staff exposure to lifestyle diseases and other complications. Some of the initiatives under this programme include financial literacy which has been a common cause for underperformance due to financial instability and stress. We continue to maintain zero tolerance for fraud.

Our people are core to our strategy and we will continue to develop the employee value proposition to ensure our workforce enables the Group to achieve its strategic goals

I have never regretted my decision to buy CRDB Bank shares

I became a shareholder of CRDB Bank in the 90s, when it was still a corporative society. I made that decision because CRDB was focused on providing loans to farmers. When it transformed into a commercial bank, I wanted to stay on because I believed in its future.

In 2009, when we listed on the Dar es Salaam Stock Exchange (DSE), my investment took a new dimension. My shares appreciated so significantly to more than 50 million.

24 years later our Bank has grown to become a big institution in the country and it's today an earmarked bank in the republic. It has been a fulfilling journey.

Trading in shares has earned me good profits and enabled me to invest in farming. Out of these proceeds, I have been able to purchase a tractor and sink a borehole in my Oldonyosambu farm. The borehole serves the entire community in Oldonyosambu, free of charge and provides enough water for livestock and crop farming to the community, including watering my coffee farm.

I am proud to be part of CRDB Bank because it has changed my life and earned be tremendous respect in my community.

Emburis Ole Sirikwa,
Farmer, Oldonyosambu - Arumeru

REVIEW OF OPERATIONS

Retail Banking

The Retail Banking department is responsible for individual and business customers under groups, micro business and SMEs. In 2019, the Group made a strategic decision to reorganize the retail banking department to ensure that key functions are consolidated under one umbrella. This realignment was important to warrant that appropriate emphasis is placed on sales, back office activities and product management.

Following the reorganization, there are now five dedicated units under Retail Banking, namely, Consumer Banking, which handles individual customers; Business Banking, which caters to micro enterprises and SMEs; Agency Banking, which drives the growth and adoption of CRDB Wakala; Card Business, which manages card issuing and merchant acquiring businesses; and Branch Network, where branch operational issues are attended to. Beyond this, we have divided our nationwide branch network into seven zones and each zone has been allocated a Zonal Manager, who is responsible for providing operational and leadership support to branches. To further enhance the efficiency of our branch network, we have upgraded service centers into small branches and in the process.

Parallel to the internal realignment, our existing offerings and internal processes were reviewed in order to improve customer engagement, acquisition and retention. To complement the Bank's traditional outlets, our agency banking network grew significantly in 2019, which is aligned with our aspiration to keep up with and listen to customers' evolving needs. As at the end of 2019, the Group had recruited 14,761 agents. Through our expanding agent network, we are now able to serve more customers outside of normal branch operating hours. In addition to reducing branch queues, CRDB Wakala have also enabled customers to transact closer to home, which saves travel costs and guarantees security for the clients' funds.

In efforts to promote digital banking and accessible banking services, we launched a world class Internet banking platform and collaborated with TTCL and Zantel to allow customers to use Sim Banking for transactions on T-Pesa and Eazy Pesa respectively, over and above Mpesa, Tigo pesa, Airtel money and Halopesa. These initiatives enabled us to significantly increase our transactions on our alternative channels by 86%.

CRDB's expanding network has not only allowed us to reach new customers but also catalysed our business growth. The retail loan portfolio grew 15.1% owing to the diversification in product offerings, enhanced customers engagement and improvement in lending processes. In efforts to empower women, we established a special subunit "Women and Financial Inclusion" which disbursed a total of TZS 88.7 billion to 986 women, during 2019.

We also implemented several initiatives to improve customer satisfaction and our range of offerings. To enhance the look and feel of our branches, during the year, we rebranded several outlets and Wakala locations, which has helped to increase our brand visibility and appeal.

In terms of products, we rolled out Purchase Order Financing (POF), Certificate & Invoice discounting for contractors and suppliers, Safari Car loans for tour operators as well as Jiwezeshe loans for micro entrepreneurs.

In relation to individual consumers, we launched a new digital loan product for students named Boom Advance which is a short term loan designed specifically for students of higher learning institutions. The product is intended to offer short term financial solutions to students prior to receiving Higher Education Students' Loan Board (HESLB) allowances.

To promote the housing market in Tanzania and retain our position as the leading mortgage lender in the country, we signed an agreement with SUMA JKT to provide affordable housing for soldiers and government employees.

We improved our internal lending processes for individuals by integrating with Lawson (Government payroll system) and the national identity database.

To complement our new products and enhance the visibility of existing and new offerings to clients, we held business forums in seven zones countrywide which targeted contractors, suppliers and general SME clients. We demonstrated our commitment to customers even further by providing soft loans to facilitate a business study visit to China in collaboration with the Tanzania Women Chamber of Commerce (TWCC) and Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) in April and October 2019. A total of 209 customers participated, out of which 110 (21 women, 89 men) were financed by CRDB and 3 women were fully sponsored by the bank.

In 2020, we will leverage on improvements made in 2019 to attract more business and serve customers better.

Our key priority will be enhancing customer experience by increasingly automating our processes and ensuring that our products, outlets and channels cater to all clients' needs, are accessible and affordable. We will continue to monitor the quality of our loan portfolio and diversity our loan book to mitigate risks. We will continue to strengthen sales, Relationship Management and Service for Premier and Diaspora Banking. We are ready to serve and look forward to fostering existing customer relationships and forging new ones.

Corporate Banking

Corporate Banking provides banking and other financial services to companies, enterprises, public sector and non government organizations across the country. Our focus throughout 2019 was on delivering a superior experience to our customers through value addition and supporting the government agenda for industrialization. To be able to achieve this, we focused on improving lending turnaround time, zonal wise realignment of our team, developing structured products to support stakeholders of the government responsible for the projects (Contractors), financing significant government projects such as Nyerere Hydroelectric Power Project and Standard Gauge Railway Phase I.

During the year, we improved our customer convenience and turnaround time in key customer processes such as loan processing time, issuance of trade facilities, and cash management solutions.

We also took on a more visible and active presence on government and business events and forums from which we received real time and first hand customer feedback. Where possible we used this feedback to immediately resolve customer queries and complaints and used the comments and remarks to enhance our service and product offering.

We continue our journey to create a customer centric culture within the organization and remain committed to delivering financial solutions for customers.

Similarly, we continued to invest in enhancing our digital banking solutions by crossselling our digital cash solutions such as internet banking, Xponent and Omni Channel and others that are available to create more convenience for our customers. We focused on onboarding customers to the platforms as well as performing integration of the Group's systems with the Customer's System.

We continue to rollout and improve our systems with Government collection through GePG. We initiated a project for intergration of our systems with MUSE, which will assist the government in accessing and utilizing cash deposits in the Bank.

We remain committed to providing a consistent and superior experience to our customers and to grow a sustainable business through some of the following key themes;

- Improving the customer experience to ensure we can continue to grow our loyal customer base;
- Process simplification to ensure our customers receive quick, efficient and consistent service across all our platforms and branches.
- Expand value proposition through structured products to match customer's need while offering competitive prices.
- Focus on our trade and transactional services for growing NFI through the integration of systems, Internet banking, Xponent, structured trade products, and other cash management solution while creating convenient.

We commit to do all this while continuing to maintain a sound risk and control environment in our operations.

Treasury

Treasury business delivered strong and stable in 2019 despite subdued business environment. The focus was to grow income and profitability through strategic investment in Fixed Income securities and Foreign Currency trading. Interest earned from investments reached TZS 175 billion, which is 26% of total Bank's funded income. We continued to minimize the cost of funds through effective management of deposit rates and interbank funding mix amid declining interest rate trend particularly during the second half of the year.

Despite liquidity challenges observed in the domestic market, the Bank maintained ample liquidity throughout the year and was a net lender to the interbank market. Foreign Exchange (FX) income reached TZS 38.7 billion which is 23% higher compared to 2018 owing to increased focus and engagement with our clients in both retail and corporate segments.

The Bank won a first runner up award for best custodian in 2019 issued by Dar es Salaam Stock Exchange (DSE) following the Bank's involvement in the Capital market space through its Financial Services. The custodial services unit also managed to increase its income by 25% following the recruitment custodial clients and extension of its custodial service to pension and insurance clients.

Going forward, we will continue to monitor financial markets domestically and globally and maximize on any business opportunities while tracking global policy uncertainties, geopolitical risks, global growth outlook and both domestic macroeconomic and financial conditions as they evolve.

Credit

At end of year, the Group's loan portfolio stood at TZS 3,382 billion, which was an increase of 8.2% YoY. This was driven by growth of the high quality portfolio, through derisking initiatives towards the retail segment.

The Group has attained an NPL ratio of 5.5% which was an improvement from 8.5% recorded in 2018. This has been achieved through the execution of NPL containment strategy aiming to improve the quality of the loan book. Critical areas of this strategy emphasized proactive portfolio management and monitoring in order to reduce the level of existing delinquencies and containing further NPL migrations.

Furthermore, the strategy addresses the impact of collective efforts on loan recoveries. It has paved way for proper usage of delinquency management and early warning systems which have been implemented by the Bank. It is also through this strategy that the Bank has registered improvements in portfolio derisking underpinned by the growth of retail loans by 47% while reducing corporate concentration.

In terms of credit underwriting, the implementation of NPL containment strategy has also enabled the Group to better its internal processes through automation of underwriting processes, which has improved loan turnaround time significantly.

The Group will continue to focus on building strategic business relationships across its lines of business on top of maintaining strong Credit Rating of the Bank while streamlining its processes through usage of more efficient technology.

I am living my dream, thanks to CRBD Bank

I had a dream to own a hotel. Now I am living the dream.

I first borrowed TZS 800 million, which I used to construct the building and expand my pharmacy business.

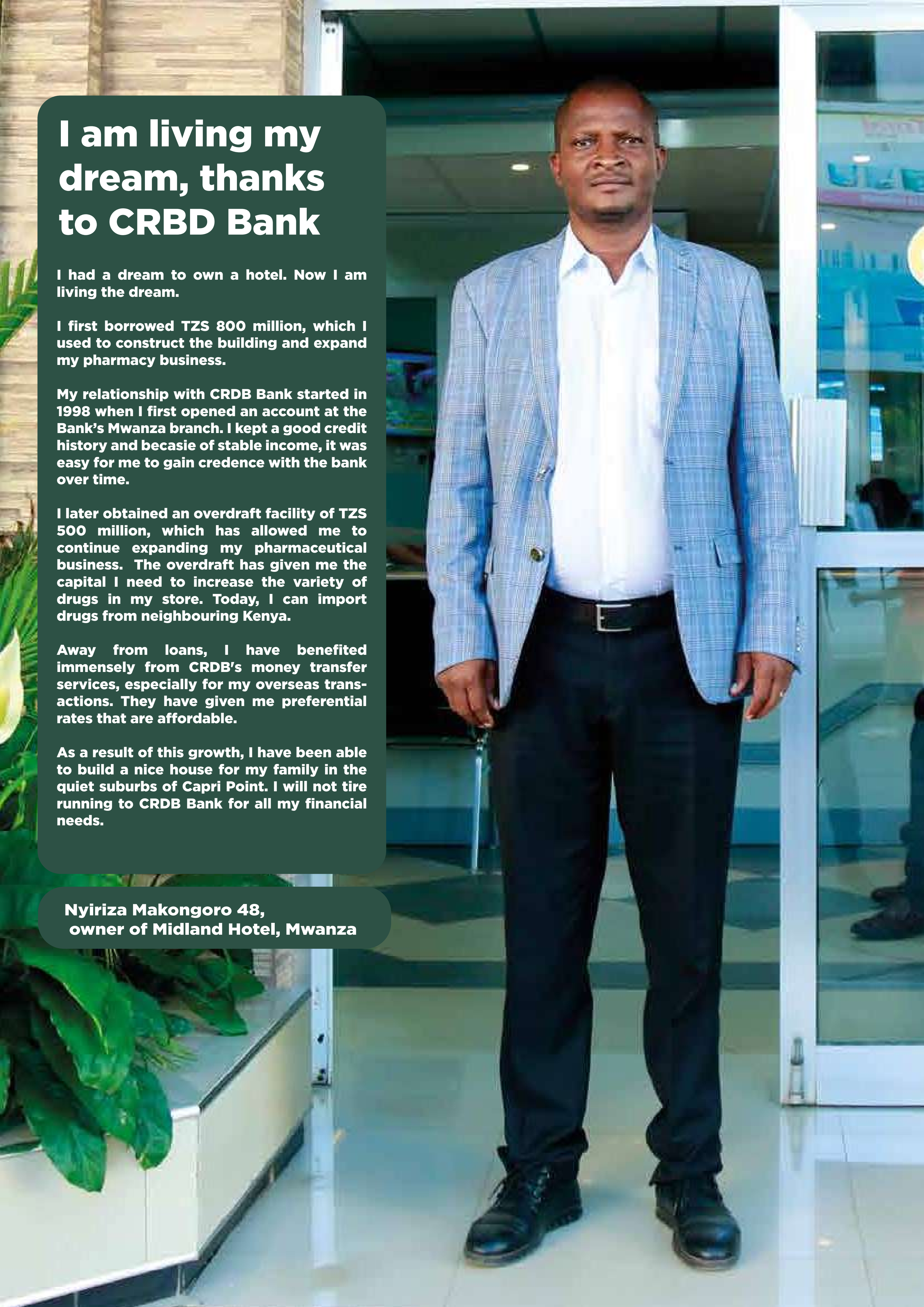
My relationship with CRDB Bank started in 1998 when I first opened an account at the Bank's Mwanza branch. I kept a good credit history and becasie of stable income, it was easy for me to gain credence with the bank over time.

I later obtained an overdraft facility of TZS 500 million, which has allowed me to continue expanding my pharmaceutical business. The overdraft has given me the capital I need to increase the variety of drugs in my store. Today, I can import drugs from neighbouring Kenya.

Away from loans, I have benefited immensely from CRDB's money transfer services, especially for my overseas transactions. They have given me preferential rates that are affordable.

As a result of this growth, I have been able to build a nice house for my family in the quiet suburbs of Capri Point. I will not tire running to CRDB Bank for all my financial needs.

Nyiriza Makongoro 48,
owner of Midland Hotel, Mwanza

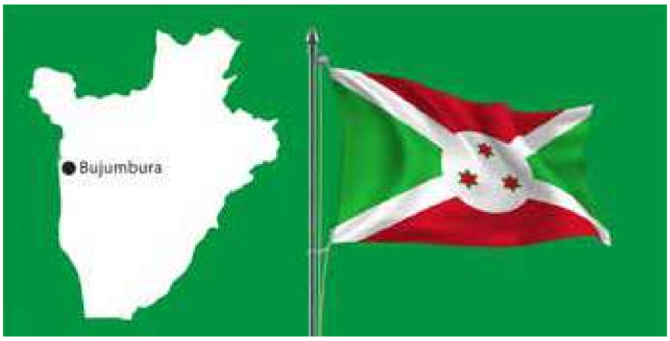



Midland Hotel
SUNPHARM

SUBSIDIARY PERFORMANCE

CRDB BANK BURUNDI

CRDB Bank Burundi performed exceptionally well in 2019, almost doubling growth in most financial metrics. The subsidiary made a net profit of TZS 6.4 billion, an increase of 146 % from TZS 2.6 billion recorded in 2018. Total assets of the subsidiary grew by 32% to TZS 258.5 billion. The subsidiary also maintained a low portfolio at risk of 3% and recovered all its accumulated losses, while building healthy reserves for the first time since inception.



Throughout the year, CRDB Bank Burundi SA maintained a healthy credit portfolio with the lowest Non Performing Loans (NPLs) ratio of 1% and Portfolio at Risk (PAR) of 3% in the industry, resulting from sound credit management practices. NPLs across the industry in Burundi averaged 8% in 2019, a slight drop from 9% in 2018. This healthy business is attributed to the initiatives taken by the subsidiary's management to improve the quality of the portfolio, including provisioning and structuring of loans to minimize default. Credit management is expected to improve further once the Bank implements Automated Credit Origination system for personal loans, collection monitoring system, the early warning system in line with the Group's direction.

Strategically, the subsidiary offered competitive lending rates to stimulate consumer loan growth. However, the Bank was cautious in extending credit which are reflected in the balance sheet as net loans and advances to customers decreased by 15% YoY to TZS 95.3 billion as at the end of the 2019. It was important for the Bank to position itself in this manner in credit extension after observing economic conditions and challenges in prior years and mostly during the election years.

During the year, operational expenses stood at TZS 12.9 billion, representing a 23% increase from 2018 FY. The major increase on expenses was TZS 641 million Transfer Price between the subsidiary and Parent Company, which became effective in 2019.

Return on Equity improved from 10.9% in 2018 to 20% in 2019. The Core Capital Ratio improved from 25.5% to 30.3% (regulatory 12.5%) while the Total Capital Ratio improved from 26% in 2018 to 30.7% in 2019 (regulatory 14.5%).

Burundi remains a cash economy as most transactions are settled on a cash basis. As a Group, we see this as an opportunity to transform how we do business and build deeper and more personal relationships with our customers.

Some of the initiatives taken to improve the subsidiary's overall performance included partnering with major Agents as part of branch transformation, which targets to improve sales effectiveness and productivity.

The transformation enabled the subsidiary to facilitate payments to retirees throughout the country. This was a great achievement towards migrating customers to digital channels such as ATMs, SimBanking, Internet banking, Point of Sale (POS) and Turi Hose Agents; in order to free up bank staff to do sales or crosssale activities.

The Bank pursued several deposit mobilization initiatives through continuous engagement with top corporate and institutional customers for retention to improve business relations. The engagements brought in positive results as manifested by a 44% growth of deposits during the year compared to the previous year.

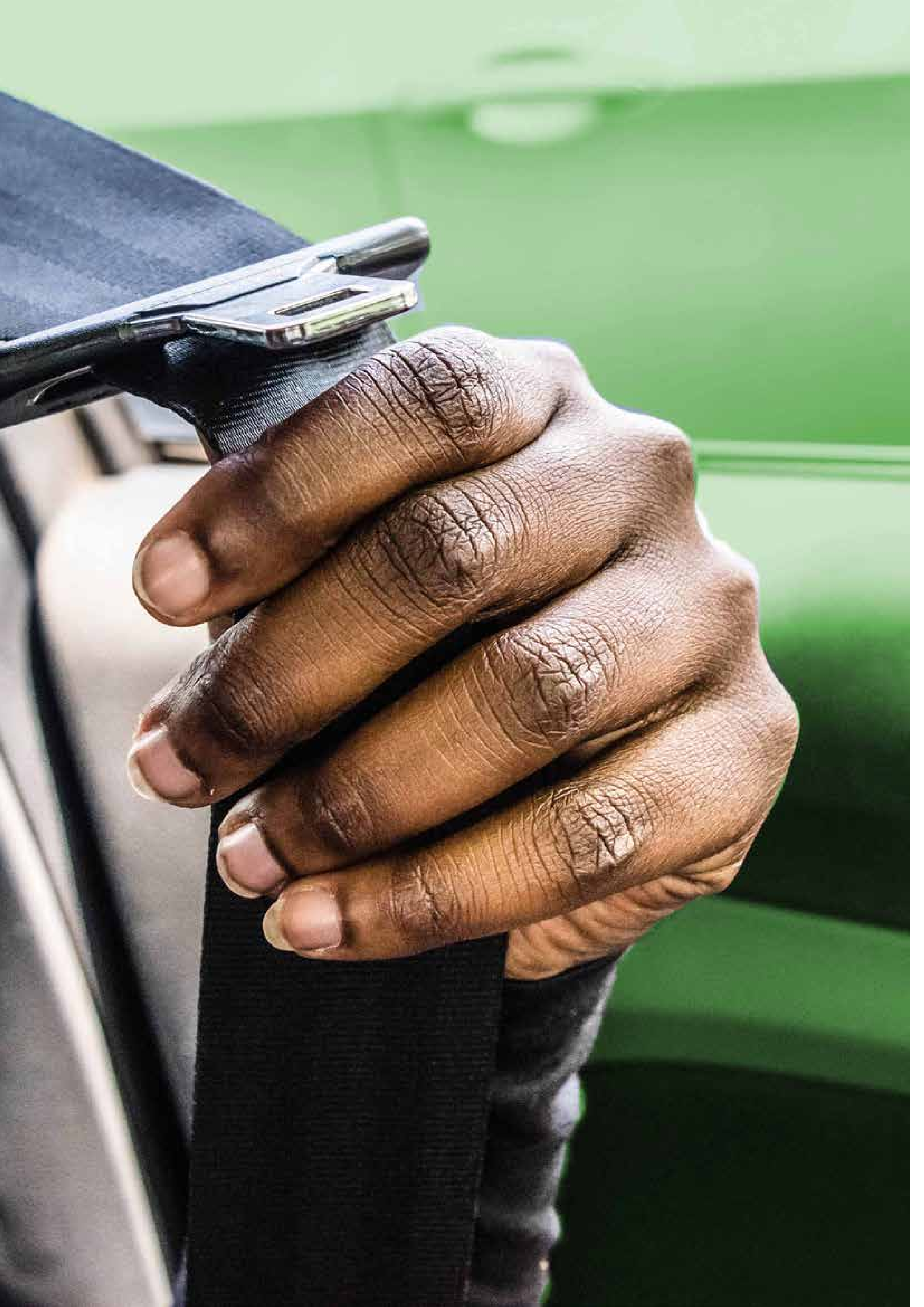
The number of agents during the year rose to 92 in December 2019 from 30 in the previous year. We are aware of the challenges being faced by our agents such as high transaction costs, limited public trust, working tools and cash float limitations.

The Bank commits to continuously address these challenges and we are confident that Turi Hose agents will have a better working environment.

The subsidiary continued to leverage on the Group's IT capacity and capability, to become more agile and innovative to support the development of the latest digital products and services. The core banking database was upgraded during the year thus leading to decommissioning of the Branch Power by the Teller Portal.

During the year, we continued to improve staff welfare, working conditions, training and career development and medical services. Staff retention continues to improve with a turnover rate of 1%.

Going forward the subsidiary will continue to grow business and acquire market share with key focus on digital network coverage.



CRDB INSURANCE BROKER LIMITED

CRDB Insurance Broker Limited performed well despite various market challenges during the year. The subsidiary posted a 17% growth in profit after tax of TZS 1.5 billion from TZS 1.3 billion.

During the year, the subsidiary managed to underwrite 42,120 policies with more than 200,000 property risks and lives covered. It recorded a Gross Written Premium of TZS 44.2 billion, reflecting a growth of 23% from TZS 35.9 billion for the year 2018.

Total income generated also rose by 26% whereas the brokerage generated TZS 7.8 billion compared to TZS 6.1 billion reported in 2018. This growth was driven by strategic initiatives implemented in 2019 to improve the company's competitiveness, which included distribution of unique products in collaboration with incountry and overseas insurance experts and companies, to remain innovative and relevant in the market. A classic example is the distribution of of unique Medical Plan, proposition in collaboration with local insurance providers termed as Education care plan and a Tour Operators' cover, modelled along with specialized needs.

During the year, the subsidiary in collaboration with Imperial College London, Munich Re, Jubilee Insurance Tanzania and World Food Program successfully piloted a Weather Index based Agriculture Insurance Product. Similarly, it partnered with Imperial College of London for conducting a detailed study on the Group's agricultural portfolio with a view of developing needsbased agricultural risk insurance, which will enhance credibility for agriculture tenders.

In line with the Group's growth strategy, the subsidiary continued to pursue operational excellence, with a view to achieving efficiency by upgrading the Core Insurance System (Smart Policy) and customizing it to suit the compliance and operational requirements. The system has further automated underwriting and claims processes and integrated the core systems with other payment platforms for insurance premium payment. The integration has also been done with the Insurer's system for issuance of Electronic Fiscal Device (EFD) tax receipts.

Additionally, the Subsidiary has developed a unique and exclusive Life insurance savings plan in partnership with Sanlam Life Insurance Tanzania. The product has been approved by the regulator (TIRA) and is exclusively promoted through CRDB Outlets and channels.

We see more business opportunities in this space as evidenced by a positive year on year growth. We continue to focus on insurance products innovation and digitisation to cover the masses through microinsurance initiatives. We understand technology is playing a bigger role as an Insurance distribution platform which makes easy and convenient for our customers to buy insurance.

The Group will continue to be innovative and focus on value added customer services to sustain the subsidiary's growth in the market. Adequate measures will be taken in the coming year to maintain and motivate the workforce and include better cost management initiatives to ensure business growth and continuity.

“Machinga Loan has enabled me to grow my business”

Lorem ipsum

I learned about Machinga Loan from CRDB Bank through Kariakoo Wamachinga Association (KAWASO). Before this, I didn’t know much about banking and I thought banks are meant for rich people. I never bothered to find out what I could gain from a bank.

I first took a loan of 200,000 shillings to expand my stock and this has changed my life. I used the money to increase my stock and today, I feel very accomplished. I have built my credit profile and today I can borrow up to 400,000 shillings, which gives me the confidence to grow.

For the 12 years that I have been in this business, I never thought I would ever set foot in a Bank. Today, I feel important. I am not just a hawker, I am a productive citizen actively taking part in building my country’s economy.

Pastory Msuya, 44
Hawker - Kariakoo, Dar es Salaam

SOCIAL INVESTMENT AND SUSTAINABILITY

SOCIAL INVESTMENT AND SUSTAINABILITY

BEYOND THE NUMBERS

CRDB Bank Group believes in responsible citizenship because we derive utmost satisfaction in the continued prosperity of the community around us. Through Social Investment (CSI) Policy, we endeavor to play an active role in promoting sustainability and social consciousness.

For the past 24 years, we have continuously provided financial and non financial support to a range of sustainable causes, with the view to helping these causes achieve optimal impact. The Bank also offers donations and grants to deserving initiatives and charitable organizations within the community.

We utilize our collective strengths to support the community in six key areas namely:

- Education
- Health and Wellness
- Environment
- Gender Equality
- Innovation
- Youth and Sports

These six areas form the primary focus of our Community Development and Social Investment strategy. We strongly believe that through education and health, we will be able to make a positive difference for generations to come. Similarly, keeping a sustainable environment and promoting healthy lifestyles remain critical to our business.

FOCUS ON SUSTAINABILITY

CRDB Bank Group recognizes the importance of making quality contributions to sustainability. We not only see sustainability as a responsibility to keep the delicate ecosystems of our planet in balance, but also as an opportunity to make a greater impact in society.

As a Group , 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 strong 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.

Our daily operations align business performance with a commitment to environmental, social and community stewardship, encompassing three key elements:

- Reducing the environmental footprint of our operations
- Engaging openly on sustainability issues
- Supporting sustainable development.

We have devised a holistic approach to sustainability in our business model to drive value creation for all our stakeholders using environmental, social and economic indicators, which inform our decision making.

Since the beginning of 2019, we have made considerable investments to protect our natural and built environment, improve human and ecological health and endeavoured to not compromise our way of life. Below is a snapshot of our materiality, and how we have endeavoured to deliver value to our stakeholders.

ENVIRONMENTAL INDICATORS

Ecological protection and Restoration	CRDB Bank remains committed to conserving the environment and takes an active role in championing conservation initiatives to protect our precious ecology. Through our comprehensive Corporate Social Investment (CSI) policy, we invest a significant amount of money annually towards environmental conservation and rehabilitation activities. We are actively involved in reforestation efforts, working with the government and other partners to improve our country's forest cover.
Green Design and Construction	As a business, we have put in place stringent policies that govern the design and construction of our buildings to encourage energy efficient and environmental friendly establishments. These policies also guide the Group on acquisition of facilities for rental purposes, to ensure that we procure properly designed building that reduce water use and the generation of greenhouse gasses, pollution and waste during the lifetime of the building. Our new headquarters, located in Dar es Salaam's Upanga area has been developed with utmost of these factors as captured by our facilities construction policy.

SOCIAL INDICATORS

Community Consultation	As the country's largest financial institution, we constantly engage with the community on all projects with the view of making a positive and lasting impact. We believe that through engagement, we are able to gain valuable insights and make informed decisions on investment, while empowering the community to grow with us.
Location and Density	CRDB Bank endeavours to use technology to deliver services to reduce the environment footprint in our operations. We have expanded our alternative channels and moved away from brick and mortar growth to ease the pressure on urban centres. We also explore options of using existing infrastructure and resources in our expansion strategy
Community Character and Liveability	Our establishments often seek to preserve the heritage of the communities, promote better use of spaces and also address neighbourhood needs. Through regular engagements with the community, we are able to determine the needs and address them in implementing our projects.
Transportation	Our facilities are mostly located in convenient places with ample spaces to ensure people including our staff spend less time to access and utilise the facilities. We consider availability of public means to transport.

ECONOMIC INDICATORS

Employment	CRDB Bank appreciates the importance of empowering people and uplifting lives through employment. We provide stable employment to over 3,400 employees and indirectly support in excess of 30,000 people through our business ecosystem. As a business, we are always looking for opportunities to grow our employees by equipping them with the necessary skills and knowledge to make an impact.
Diversification and Enhancement	We are constantly looking to support the economy through diversified business and creating products that serve the whole range of economic activities within the country. Our focus on Agriculture and the SME sector is informed by our innate desire to spur growth, by empowering sectors that have a direct impact on the community.
Efficient Infrastructure and Operational Cost Saving	Whereas we have an ambitious expansion strategy, we have made considerations to use existing infrastructure so as to optimise growth with minimal disruptions to the ecological setup. We believe that working with strategic partners, entrepreneurs, we can deliver growth that is not only systematic, but also sustainable. A case in point is our sustained efforts to accelerate alternative channels by working with entrepreneurs and small businesses to improve access to banking services by the unbanked population. This approach is not only cost efficient, but also reduces the strain new facilities put on our ecosystem.

LONG-TERM RELATIONSHIPS WITH CUSTOMERS AND STAKEHOLDERS

CRDB Bank considers customer trust as a very important matter and believes that the protection of customers' interest is a key way to build customer trust. The Bank always strives to maintain customer confidence by applying prudential principles and promoting security and convenience for customers. The Group strives to provide the best banking solutions for customers and value to stakeholders and communities.

We are passionate about driving the growth of our society and fulfilling their aspirations and changing the lives of our clients through financial inclusion. We place our clients in the centre of everything we do by seeing them as dynamic and unique individuals they are – each with their unique aspirations and ambitions. We strive to bring data, technology and service excellence together through new ways of working to empower our clients, and ensure that we continuously deliver an exceptional, personalized experience.

BEING A GOOD EMPLOYER

CRDB Bank is committed to developing human resources sustainably to improve quality, competence and employee welfare. We strive to be transparent through our communication tools such as intranet, circulars and corporate communication emails so as to keep all employees informed about our Group employment policies and other relevant information.

We are committed to developing favourable and productive industrial relations, our Human Resources policy is annually reviewed and recommendations from key stakeholders such as Trade Union representing staff views are considered.

The Group believes that the best performance is achieved through the creation of a favourable working climate. This is developed and reflected in our corporate culture. A favourable working climate is developed with an awareness of healthy performance competition, through a transparent and fair assessment for individuals.

As an employer, we pay great attention to efforts to create occupational safety in the office environment, through the development and structuring of the workspace with reference to the following:

- Completeness and appropriateness of facilities and working environment;
- Cleanliness of the working environment;
- Harmony in working layout; and
- Completeness and appropriateness of security measures

The welfare of our employees remains central to our growth strategy and we continue to manage employee compensation and benefits in a competitive position in the banking industry. We provide regular salary increments and bonuses for employees based on the performance, as a manifestation of its commitment to improve employee welfare.
Occupational Health and Safety is also an agenda for our business. The Group conducts regular trainings for all employees to equip them with the necessary skills and knowledge on safety at the workplace.

GENDER DIVERSITY AND INCLUSIVENESS

CRDB Bank provides equal employment opportunities for all employees regardless of their ethnicity, religion, race, class, and gender. Its policy on employee deployment and placement is based on an employee's merits and competence.

RESPONSIBLE MARKETING AND PRODUCT DESIGN

Our business thrives on the sole purpose of driving financial sector innovation through intuitive action. We wholly believe that for the Bank to be successful, we must adopt empathetic designs, through listening and actively engaging our consumers to understand their needs. We also conduct responsible marketing because we believe that by acting responsibly, we will be able to promote customer trust and confidence in the Group's products and services.

As a market leader, we take an active role in reinforcing responsible social and ethical values. We believe our business should not only focus on profits but also on building an informed consumer population, capable of understanding benefits of available financial products and services to improve their lives as well as making informed decisions on the same.

During the 2019 FY, we ran a deposit mobilization campaign, which targeted to empower our customers with knowledge and information on ways of banking as a means for financial inclusion.

The Group believes that responsible and ethical marketing is integral to the business and forms the basis of our brand promise. We are open to public scrutiny because we see this as a way of collecting feedback for improvement.

ONLINE PRESENCE

We operate in a globalised environment where people have control over what they consume. Because of the rising influence of social media and digital technologies, we have made considerable investments in digital resources and assets to ensure that we connect with our diverse audiences regularly. We also endeavour to engage responsibly and on topics that are relevant to our stakeholders.

CRDB Bank Group prides itself as one of the organisations that are ready to give its customers unfettered access to product information, allowing audiences multiple channels for reaching the Bank. Our communication assets comprise of an interactive website, 24 hour Call Centre and active social media accounts.

RESPONSIBLE SOURCING AND PROCUREMENT

As a publicly listed company, CRDB Bank group endeavours to be transparent in its dealings at all times. We know we have a responsibility to our shareholders, regulators, customers and other stakeholders to engage in business activities that are sustainable.

We strive to consider sustainability principles in all our dealings not just within the Group but also along the supply chain and when interacting with other organisations.

We have made a conscious choice to promote responsible and inclusive procurement practices and apply standards of integrity and best practice in managing the supply chain. Our Group places the utmost importance on competitive tendering taking place on a regular basis and in a free and fair manner.

We also require strict adherence to anti-bribery policies, codes of conduct and a compliance program, which includes all reasonable steps necessary to assure the integrity of the process.

FINANCIAL LITERACY

Our Group is at the forefront of supporting national financial literacy programs in the country. We are actively supporting government initiatives to improve the literacy index and financial inclusion of people in our communities.

TRANSFORMING LIVES

CRDB Bank Group is the largest, publicly listed commercial Bank in Tanzania. The Group has operations across the country with a subsidiary in the Republic of Burundi. Since its establishment, CRDB Bank Group has steadily evolved from a nondescript entity into a dynamic and modern corporate organization that is focused on building a better society.

Throughout our growth journey, we have consistently pursued value creation as a defining factor for our business. Our primary objective is to transform lives, through our business and foster a better environment through our actions. As a Group, we believe in both social and economic transformation as prerequisites for better, sustainable lives.

Driven by a desire for inclusive growth, we remain steadfast in providing solutions for all sectors of the economy, with the view to building a vibrant environment for growth. Our Corporate Social Investment (CSI) Policy recognizes Education, Health and Environment as important drivers of sustainable development. These three form critical pillars of the Bank's social investment strategy, which guides its involvement in the community.

Each Financial Year, the Bank Group spends 1% of its gross profit on social investment 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.

EDUCATION FOR SUSTAINABLE DEVELOPMENT

We believe that education encourages changes in knowledge, skills, values and attitudes that enable a more sustainable and just society for all.

Through our education programs, we aim to empower and equip current and future generations to meet their needs using an integrated approach that considers the social, economic and environmental dimensions of it. We see education as an essential tool for achieving sustainable development.

HEALTH FOR SUSTAINABLE DEVELOPMENT

The Sustainable Development Goals (SDGs) set a broad agenda to advance health and equity by 2030. Health is centrally positioned within the SDGs; SDG 3 – ensure healthy lives and promote well being for all ages. CRDB Bank fully appreciates the importance of promoting health for sustainable communities.
Our social investment initiatives in the health sector are selected with a clear goal to foster healthy lives. Over a quarter of our annual CSI budget is channeled towards supporting health programs especially maternal healthcare.

ENVIRONMENTAL SUSTAINABILITY

CRDB Bank conceives environmental sustainability as responsible interaction with the environment to avoid depletion or degradation of natural resources and allow for long term environmental quality. Through our Corporate Social Investment initiatives, we continuously work to foster responsible environmental practices among our staff, stakeholders and the communities we operate in. Our goal is to raise an environmental consciousness that will result into a belief system for each of our stakeholders to engage in pro environmental behaviors. Through activities such as conservation, reforestation and adoption of green energy, the Bank has made incredible efforts, using its workforce and expansive network to support initiatives across the country.

REFLECTING ON OUR INVESTMENTS

During the 2019 financial year, we spent TZS 909 million in supporting initiatives in the education, health, sports and environment sectors, which form the basis of its social responsibility engagements.

INSTITUTIONAL SUPPORT/OTHERS

In 2019 CRDB Bank spent TZS 178.6 million to support public sector programs, including Financial Literacy and Entrepreneurship. The Bank, working with leading foundations, government agencies as well as private sector groups focused on driving value from various events and activities.

HEALTH

During the 2019 Financial Year, the Bank spent a total of TZS 261 million towards improving healthcare in the country. The support focused on improving infrastructure, especially construction of dispensaries, wards and specialized clinics, among other critical amenities. Overall, the Bank contributed towards 8 infrastructure projects and two sponsorships within the health sector.

YOUTH & SPORTS

In 2019, the Bank furthered its commitment to supporting youth activities and more so, sports. CRDB Bank sees sports as an alternative job creator, which has both economic and social benefits.

We believe that sports present us with a unique opportunity to create healthier communities and foster harmonious collaboration, while generating income. During the year, a total of TZS 316.2 million was spent towards supporting various sporting activities across, ranging from marathons and tournaments

EDUCATION

The Group extended a total of TZS 153.4 million towards supporting Education initiatives in the country. A Majority of the funds were utilized to procure critical amenities such as desks and computers, improving infrastructure through construction and renovation of classrooms. Cumulatively, the Bank constructed and equipped more than 10 classrooms and renovated more than 5 others and distributed more than 500 desks across the country.

RISK MANAGEMENT

RISK MANAGEMENT REPORT

RISK MANAGEMENT

The Group is committed to meeting stakeholders' expectations in mitigating risks through a robust enterprise wide risk management framework. The framework aims to ensure that risks are identified, quantified, managed and monitored to achieve an optimal risk reward profile. Our enterprise risk management framework has well defined 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 preemptive action.

We strongly believe that preempting 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.

GROUP RISK MANAGEMENT PRINCIPLES

In managing risk, the CRDB Bank Group considers the value our risk framework creates to ensure it contributes to the Group's objectives. This is achieved through the continuous review of processes and systems.

Strategically, we have integrated risk management in our governance to form part of our planning processes, at both the operational and strategic levels.

All key decision makers within CRDB Bank Group rely on risk management 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 chance 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 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 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 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 Bank Group aspires to improve its risk management culture by allocating resources, over time, to efficiently manage risks and ensure the ability to demonstrate continual achievement.

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 function at all levels of the organization. Consequently, we have classified risks into Six distinct areas to ensure areas, based on ownership and operation set up of the business.

CREDIT RISK

The risk that arises from unmet customer obligations, either willingly or unwillingly, which results in economic loss to Group. At Management level, this risk is governed by the Loan 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.

The Purpose of credit risk management is to enable the Group to operate by the policies and strategic objectives established and within the risk appetite defined in the area of credit. Our credit risk management policy is based on the diversification of the credit portfolio. The Group strives to lend to different sectors of the economy to spread the risk and often evaluates the development projects of each of the sectors

LIQUIDITY RISK

This risk arises from the Group'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 in 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.

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 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; Reporting; and Controlling / Mitigation.

We continuously monitor our Operational Risk in the context of our risk appetite. The Group allocates capital in respect of operational risk assets, based on a standardized model defined by the Board.

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.

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 Bank.

However, Director of Risk & Compliance is responsible to ensure effective implementation of day to day Enterprise Risk & Compliance Management, specifically managing Anti Money Laundering, Sanctions, Regulatory, Conduct, and Anti Bribery & Corruption risks. Effective management of Risk & Compliance is not only critical for ensuring regulatory compliance but also enterprise value creation and protection.

GROUP'S ATTITUDE TOWARD RISK

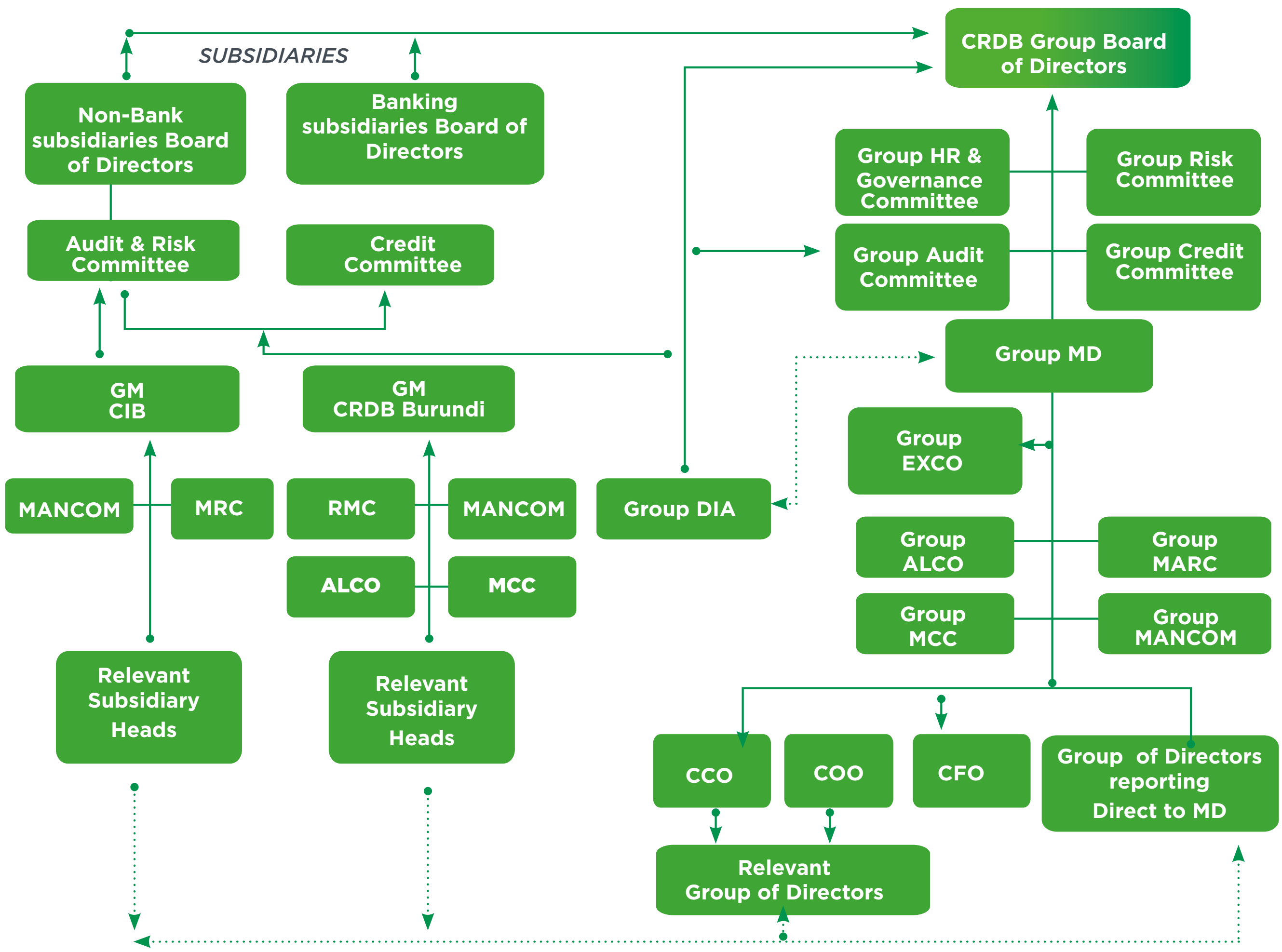
We actively take risks, as allowed within our risk appetite and risk tolerance. In taking Risks, we exhaustively examine the adequacy of the benefit in business terms. Unacceptable risks are risks at a level that exceeds the maximum risk tolerance level, as defined by the Board of Directors, or risks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

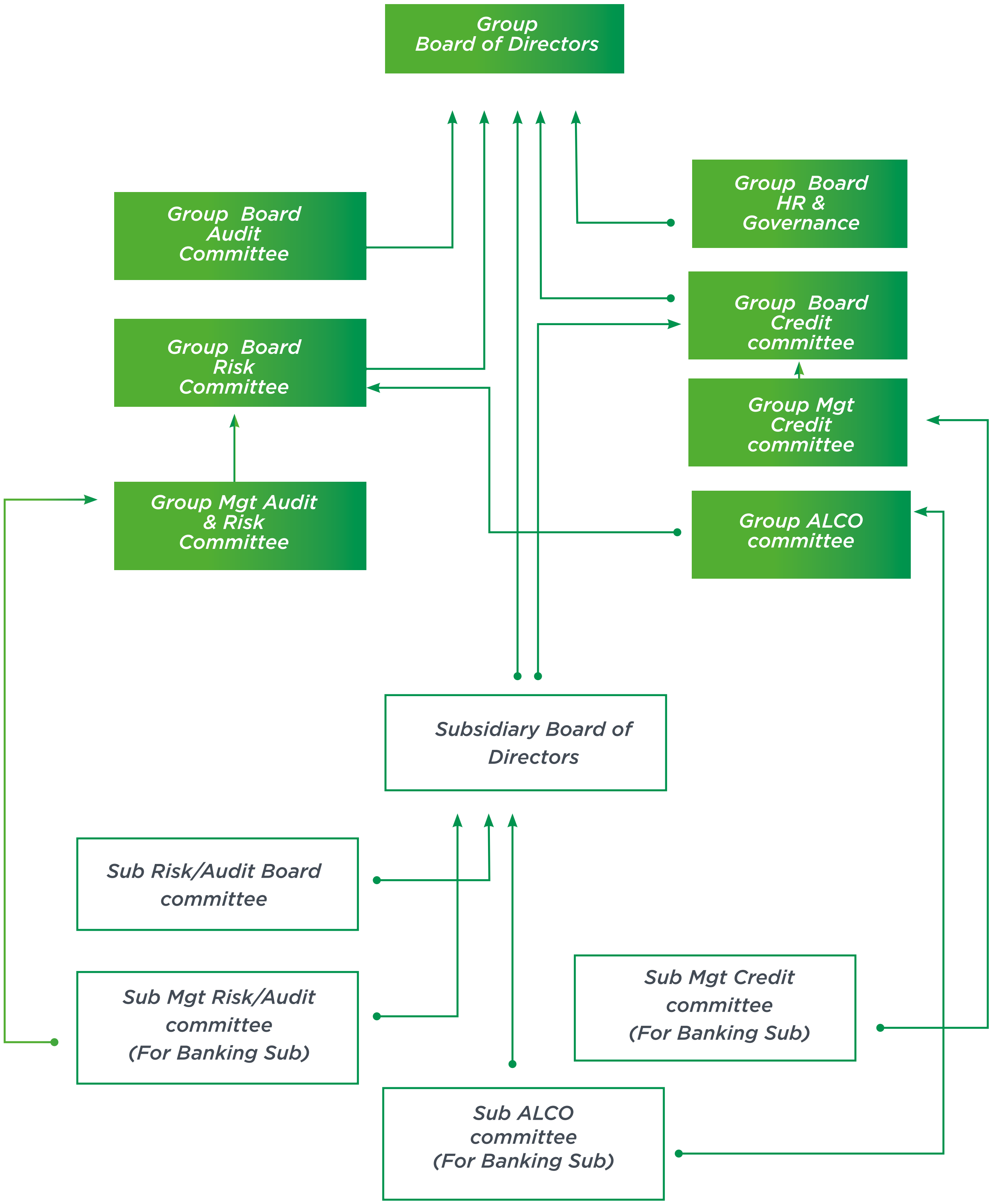
DETAILED GOVERNANCE STRUCTURE

Key:

ALCO – Asset Liability Committee
CIB – CRDB Insurance Broker
GM – General Manager
MARC – Management Audit & Risk committee
MANCOM – Management Committee
MCC – Management Credit Committee



COMMITTEE RELATIONS



CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Dr. Ally Hussein Laay

NON - EXECUTIVE DIRECTOR AND CHAIRMAN

Dr. 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.

Charles Edward Kichere

NON – EXECUTIVE DIRECTOR AND VICE BOARD CHAIRMAN

Mr. Charles Edward Kichere is the Controller and Auditor General (CAG). He previously served as Njombe Regional Administrative Secretary, Commissioner General of the Tanzania Revenue Authority (TRA), Deputy Commissioner General at Tanzania Revenue Authority (TRA), Head of Finance and Chief Accountant at Tanzania National Roads Agency (TANROADS), Principal Internal Auditor at Tanzania National Roads Agency (TANROADS), Internal Auditor at Tanzania National Roads Agency (TANROADS), Internal Auditor at Unilever Tea Tanzania Limited, and Internal Auditor/Treasurer at Unilever Tea Kenya Limited.

Throughout his career, Mr. Kichere has distinguished himself as a committed and visionary public servant and leader. This is reflected in the trust vested in him by the Government to head key organizations with major impact in the country's economy.

He holds Bachelor of Laws (LL.B) from Tumaini University College, Dar es Salaam Tanzania, and Master of Business Administration (MBA) in Finance at University of Dar es Salaam, Diploma in Financial Management of Donor Funded Projects at Africa Renaissance Centre, Mbabane Swaziland and Bachelor of Commerce in Accounting (B.Com Accounting) at University of Dar es Salaam. He has been a member of the Credit and Audit Committees.

Mr. Kichere resigned in November 2019 after being appointed as the Controller and Auditor General of Tanzania.

Prof. Neema Munisi Mori

NON – EXECUTIVE DIRECTOR

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.

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 and Board Member of CRDB Microfinance Services Company Ltd.

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 Vice 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.

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 CRDB 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.

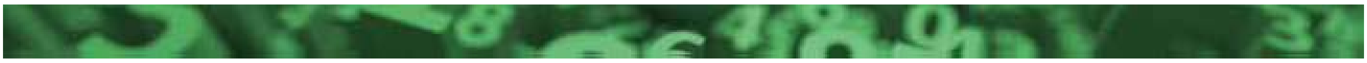
Rose Felix Metta

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.



Ebenezer Ngea Essoka

NON – EXECUTIVE DIRECTOR

Mr. Essoka has over 30 years of experience in banking ranging from the establishment of Greenfield operations to restructuring and repositioning mature businesses for sustainable growth across Sub Saharan Africa. Currently he is the Executive Chairman of IBURU, an advisory firm focused on fostering Good Governance; Facilitating trade and investment flows across key corridors, with specialty focus on tracking Asian investments in Africa; Addressing leadership challenges across enterprises; and Advisory work for sovereigns.

His other ventures include: Senior Advisor to the President of the African Development Bank on the Africa Investment Forum, Chairman of Standard Chartered Bank Côte d'Ivoire, IFC/World Consultant. Ebby is a founding member and Trustee of the Global Reach Network Foundation - an organisation focused on bridging opportunity gaps for individuals and communities worldwide.

Mr. Essoka was the former Vice Chairman - Africa, CEO Southern Africa, CEO West and Central Africa of Standard Chartered Bank. He also served on the Global Advisory Council of the London Business School (LBS) and the Ghana Investors' Advisory Council.

He holds an MBA in Finance and a Diploma in International Business from Seton Hall University, South Orange, New Jersey (USA) and has also attended Senior Executive Development Programmes at INSEAD, London Business School, Templeton College and Oxford University. He was a member of the Board Audit and Governance and Human Resources Committees.

Prof. Faustine Karrani Bee

NON – EXECUTIVE DIRECTOR

Prof. Faustine Karrani Bee is the Vice Chancellor of the University of Dodoma. He previously served in the same capacity at Moshi Cooperative University (MoCU). Professor Bee was first employed as Tutor by the then Cooperative College Moshi in 1988 and became a lecturer in 1993 at the same institution. In 2004 the Cooperative College Moshi was transformed into the Moshi University College of Cooperative 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 Principal of MUCCoBS between 2010 and 2014 before MUCCoBS was elevated into a full fledged university by the name of the Moshi Cooperative University (MoCU), and Prof. Bee was appointed its first Vice Chancellor.

Prof. Bee holds a PhD in Development Studies from University of South Africa, in Pretoria; a Master's degree in Development Studies from The Institute of Social Studies in The Hague – Netherlands; and a Bachelor Degree in Economics from University of Dar es Salaam. He was a Visiting Research Fellow of the Institute of Developing Economies in Tokyo, Japan between 1995 and 1996. He has served in various University Councils and Board of Directors.

He has published a number of academic journals in the fields of industrialization, agriculture and economics that are in line with the country's development agenda. Prof. Bee is a member of the Audit and Risk Committees.

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 Board Credit and Governance and Human Resources 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.

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 Audit and Risk Committees of the Board of Directors of CRDB Bank Plc.

Abdul Ally Mohamed

NON – EXECUTIVE DIRECTOR

Mr. 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 Governance and Human Resources and Audit Committees of the Board of Directors of CRDB Bank Plc.

Dr. Edwin Paul Mhede

NON-EXECUTIVE DIRECTOR

Dr. Edwin Paul Mhede is the Commissioner General of the Tanzania Revenue Authority (TRA) who previously served as Deputy Permanent Secretary in the Ministry of Industry, Trade and Investment (Trade and Investment). He also had stints as a Research and Advisory Manager at the Agricultural Development Bank and Senior Economist in the Industrial Research and Investment Section, Department of Industrial Development – Ministry of Industry, Trade and Investment.

Dr. Mhede holds a PhD in Development Economics from the National Graduate Institute for Policy Studies (GRIPS), Japan and a Master of Arts in Development Economics from the same Institute. He obtained his Bachelor of Science Degree in Agricultural Economics from the Sokoine University of Agriculture in Morogoro.

He has published numerous scholarly papers and reports on various fields such as economics, investment and trade. His career objective is to use his skills in the best possible way to serve fellow Tanzanians, particularly he is committed to support the entrepreneurs in various productive and trade subsectors with dedication, honesty and integrity, always motivated to uphold evidence-based knowledge to facilitate policy analysis and informed strategic decisions for inclusive economic growth. He is a member of the Audit and Risk Committees of the Board of Directors of CRDB Bank Plc.

Dr. Mthede was appointed by the Ministry of Finance & Planning in consultation with the Royal Danish Embassy to represent DANIDA Investment Fund (DIF) for a period of three years from November 4, 2019.

EXECUTIVE MANAGEMENT

Abdulmajid M. Nsekela

GROUP CEO AND MANAGING DIRECTOR

He 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.

Frederick Bayona Nshekanabo

CHIEF FINANCIAL OFFICER (CFO)

He joined the Bank in February 1999. Before the current position, Frederick served as Director of Finance for 7 years. He previously worked in various capacities within CRDB Bank Group including as Manager Finance, a position he held until December, 2011 when he was appointed to the Director of Finance position. He was appointed as Chief Finance Officer (CFO) in July 2019

His career in Banking spans over 20 years with more than 10 years in senior management. Besides his current role, he serves as a member of the board of Tandahimba Community Bank (TACOBA), representing CRDB Bank Plc under the Bank's Management contract. He also serves as the Honorary Treasurer to Tanzania Bankers Association.

He is an Associate Certified Public Accountant (ACPA (T)). He holds a Master of Science in Finance from the University of Strathclyde, UK and Advanced Diploma in Accountancy from the Institute of Finance Management (IFM), Dar es Salaam. He also holds Certificate in Company Direction by Institute of Directors (IoD) – UK. He has attended various Executive Management Development Programs from the University of Cape Town Graduate School of Business and Harvard Business School in Boston USA.

Dr. Joseph Ochieng' Witts

CHIEF COMMERCIAL OFFICER (CCO)

He joined the Bank in January 2001. Before his current role, Dr. Joseph Witts held different roles such as a Deputy Managing Director - Operations and Customer Service, Director of Alternative Banking Channels, Retail Banking, Retail Clients and Marketing, and Principal Internal Auditor at CRDB Bank Plc.

He worked for Citi Bank Tanzania as Head of Internal Control Department and Branch Operations Manager. He also worked as Chief Internal Auditor at Musoma Textiles. Dr. Witts holds a Doctoral Degree in Business Administration from Walden University, Minneapolis, MN. USA.

He holds a Master's Degree in Entrepreneurship and Enterprise Development (MEED) from the University of Dar es Salaam, and is a Certified Public Accountant - CPA (T). He holds an Advanced Diploma in Certified Accountancy (ADCA) from IDM Mzumbe, Tanzania. Dr. Witts has attended several, Executive Management Development Programs including Queens Business School in Ontario, Canada and Graduate School of Business in Cape Town, South Africa and Graduate School of Business in Cape Town, South Africa.

Esther Kileo Kitoka

CHIEF OPERATIONS OFFICER (COO)

She joined the Bank in September 2006. Before her current role, Ms. Kitoka served as Deputy Managing Director - Shared Services. She previously worked in various capacities including as Director of Risk and Compliance, a position she held until September 2011 when she was elevated to the Deputy MD position. She has been integral in; Esther managed a two-year core banking system implementation project. She also worked as Deputy MD Operations and Customer services for the whole 2018 before returning to her previous role.

She has been chairing Tanzania Bankers Association Steering Committee responsible for risk and compliance. Before joining CRDB Bank, Ms. Kitoka worked with the Bank of Tanzania for 9 year as a Senior Bank Examiner.

She is a Certified Public Accountant CPA (T) and holds a Master's Degree in Commerce in Banking and Business Information Systems from the University of Sydney, Australia and a Bachelor of Commerce Degree in Accounting from the University of Dar es Salaam. Ms. Kitoka has attended several Executive Management Development programs including Darden School of Business, University of Virginia (Virginia, USA), Corporate Governance for Directors from Institute of Directors, UK (Dubai), Centre for Corporate Governance [Mombasa, Kenya] and University of Capetown (Capetown, South Africa).

SENIOR MANAGEMENT

TullyEsther Mwambapa
Director of Corporate Affairs

John Rugambo
Company Secretary

James Mabula
Director of Risk and Compliance

Siaphoro Kishimbo
Director of Human Resources

Alex Ngusaru
Director of Treasury and Capital Markets

Boma Raballa
Director of Retail Banking

Leslie Mwaikambo
Director of Banking Operations

Godfrey Sigalla
Director of Internal Audit

Pendason Phillemon
Director of Procurement

Leo Ndimbo
Ag. Director of Business Transformation

Prosper Nambaya
Ag. Director of Corporate Banking

Deusdedit Massuka
Ag. Director of ICT

Exavery Makwi
Ag. Director of Credit

Sebastian Masaki
GM, CRDB Microfinance Services Company Limited

Arthur Mosha
General Manager, CRDB Insurance Broker Limited

Bruce Mwasenga
General Manager, CRDB Bank Burundi Subsidiary

THE BOARD

The Group is led by the Board which is collectively responsible for the long term success of the Company. It comprises the Chairman, one independent non executive director and non executive directors.

There is a clear division of responsibility and separation of duties, which are well documented in our Corporate Governance Framework. The Chairman has the overall responsibility of leading the board and ensuring its effectiveness; while the Group's Managing Director manages and leads the business.

The Board operates on the understanding that sound governance practices are fundamental to gaining the trust of stakeholders which is critical to sustaining performance and preserving shareholders' value. The board ensures that the Group manages risk effectively, monitors financial performance and ensures that effective succession planning arrangements and remuneration policies are in place. It is accountable to shareholders and sets the direction through the business strategy and policies. It monitors implementation thereof through structured reporting systems including its various committees. The Board is required to meet at least eight (8) times a year.

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, taking into account the competitive and regulatory landscape and the Bank's long term interests, risk exposure and ability to manage risk effectively.

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 of 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.

As at 31 December 2019, the Board consisted of twelve (12) directors, comprising eleven (11) non executive directors and the Managing Director who is an Ex-Officio member. Non executive Chairman, who is elected by directors every year leads the Board. Every shareholder with ten percent (10%) of the issued and fully paid up share capital of the Bank is entitled to appoint a Director. Shareholders owning between 1% and 10% of the issued and fully paid up share capital of the Bank are jointly entitled to elect a Director for every 10% of shares held, provided that any part of 10% which does not, by itself add up to a whole 10% is not entitled to elect a Director. The strategic investors (a consortium of IFC/AFCAP and CDC) owning 5% jointly appoints one director while shareholders owning less than 1% jointly elect one (1) Director and additionally one (1) Director for every 10% of shares held. All shareholders elect one Independent Director.
The Board consists of sufficient members with the right mix of skills, experience and knowledge to perform their role.

CHAIRMAN 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 eight (8) meetings during the year, six (6) meetings as planned and two (2) meetings being special. 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.

S/N	Name of Director	Position	Number of Board meetings attended	Date of appointment/ Retirement
1	Dr. Ally H. Laay	Chairman	8/8	-
2	Boniface C. Muhegi	Member	8/8	-
3	Rose F. Metta	Member	7/8	-
4	Hosea E. Kashimba	Member	6/8	-
5	Ebenezer N. Essoka	Member	8/8	-
6	Prof. Neema M. Mori	Member	8/8	-
7	Jes Klausby	Member	8/8	-
8	Prof. Faustine K. Bee	Member	7/8	-
9	Dr. Fred M. Msemwa	Member	2/8	Appointed May 2019
10	Abdul A. Mohamed	Member	3/8	Appointed May 2019
11	Martin S. Warioba**	Member	-	Approved December 2019
12	Prof. Mohamed H. Warsame	Member	1/8	Retired February 2019
13	Madren N. Oluoch-Olunya	Member	1/8	Retired February 2019
14	Apollo B. Temu	Member	1/8	Retired February 2019
15	Charles E. Kichere	Member	6/8	Resigned November 2019

**Martin S. Warioba was elected in May 2019 but approved by Bank of Tanzania in December 2019

BOARD COMMITTEES

As at 31 December 2019, 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:-

CURRENT MEMBERS OF THE BOARD COMMITTEES

Name	Audit Committee	Credit Committee	Governance and Human Resource Committee	Risk Committee
Jes Klausby			○	●
Prof. Faustine K. Bee	○			○
Ebenezer N. Essoka	○		○	
Boniface C. Muhegi		○	●	
Charles E. Kichere	○	○		
Prof. Neema M. Mori		●	○	
Rose F. Metta*	○	○		○
Dr. Fred M. Msemwa	○	○		
Hosea E. Kashimba	●			○
Abdul. A Mohamed	○		○	
Martin S. Warioba**	○			○

Key: ● Chairperson
○ Member

* Rose Metta was assigned to the Credit committee and released from the Audit committee

** Martin S. Warioba was elected in May 2019 but approved by Bank of Tanzania in December 2019

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 membership of the Committee comprises six (6) Non Executive Directors.

The Committee members have considerable financial and business experience and the Board considers that the membership as a whole has sufficient and relevant financial experience to discharge its responsibilities.

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

Review of the scope of 2019 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 2019 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.

The Committee held six (6) meetings, one being special and five meetings taking place as planned during the year. The external auditors were invited and attended meetings to present audit findings and opinion on audited annual financial statements. The Managing Director and Chief Executive Officer, Chief Commercial Officer, Chief Operations Officer, Chief Finance Officer and Director of Internal Audit also attended the meetings as invitees.

Members of the Audit Committee and their attendance were as follows:

Name	Position	Number of meetings attended	Date of appointment/ retirement
Hosea E. Kashimba	Chairperson	6/6	-
Ebenezer N. Essoka	Member	6/6	-
Prof. Faustine K. Bee	Member	5/6	-
Dr. Fred M. Msemwa	Member	1/6	Appointed May 2019
Abdul A. Mohamed	Member	2/6	Appointed May 2019
Rose F. Meta*	Member	1/6	-
Madren N. Oluoch-Olunya	Member	1/6	Retired February 2019
Charles E. Kichere	Member	4/6	Retired November 2019

*Ms. Rose Meta attended only one meeting of the Audit Committee during the year under review because she was transferred from the Audit Committee to the Credit Committee after the committees were restructured.

CREDIT COMMITTEE

Committee composition and activities

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.

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.

The Credit Committee held nine (9) meetings, five as planned and four being special meetings. The Managing Director and Chief Executive Officer, Chief Commercial Officer, Chief Operations Officer, Chief Finance Officer, Director of Corporate Banking and Director of Credit participated in the meetings as invitees.

Members of the Credit Committee and their attendance were as follows:-

Name	Position	Number of meetings attended	Date of appointment/retirement
Prof. Neema M. Mori	Chairperson	9/9	-
Boniface C. Muhegi	Member	8/9	-
Charles E. Kichere	Member	6/9	-
Rose Metta	Member	6/9	-
Dr. Fred M. Msemwa	Member	2/9	Appointed May 2019
Apollo B. Temu	Member	1/9	Retired February 2019
Prof. Mohamed H. Warsame	Chairperson (Retired)	1/9	Retired February 2019

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 of five (5) 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.

Governance and Human Resource Committee held eight (8) meetings during the year as planned.

Members of the Governance and Human Resource committee and their attendance were as follows:-

	Position	Number of meetings attended	Date of appointment/ retirement
Boniface C. Muhegi	Chairperson	8/8	-
Jes Klausby	Member	8/8	-
Prof. Neema M. Mori	Member	8/8	-
Ebenezer N. Essoka	Member	8/8	-
Abdul A. Mohamed	Member	3/8	Appointed May 2019
Madren N. Oluoch-Olunya	Member	1/8	Retired February 2019

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 Chief Risk Officer 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.

Risk Committee held five (5) meetings during the year as planned. The Managing Director and Chief Executive Officer, Chief Commercial Officer, Chief Operations Officer, Chief Finance Officer and Director of Risk and Compliance participated in the meetings as invitees.

Members of the Risk committee and their attendance were as follows:-

Name	Position	Number of meetings attended	Date of appointment/ retirement
Jes Klausby	Chairperson	5/5	-
Rose F. Metta	Member	4/5	-
Hosea E. Kashimba	Member	4/5	-
Prof. Faustine K. Bee	Member	3/5	-
Apollo B. Temu	Member	1/5	Retired February 2019
Prof. Mohamed H. Warsame	Member	1/5	Retired February 2019

The Committee continues to focus on ensuring the Group have effective controls and oversight to comply with existing regulatory obligations. Compliance tests are conducted as per the annual activity plan to establish the level of compliance with our policies, procedures and regulatory requirements across the Group.

IT resilience and the dynamic threat posed by cyber risk are recognized as key risks and are a crucial area of focus for the Board Risk Committee. Important and material issues are brought to the Board Risk Committee for information, consideration and discussion as appropriate. The Committee challenges the Group to further improve its ability to mitigate and respond to cyber risk and ensure that the IT strategy aligns well with the Bank's strategy. Technology resilience will also remain a key focus for 2019 as the Group continues to invest in its infrastructure.

Appointment of Directors

Directors of the Board are appointed per 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, taking into account 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 2019 included IoD Accelerated Certificate in Company Direction, IoD Diploma in Company Direction, Recent Developments in Digital Banking, Trends in Cybercrime and Cyber Security Strategies, Fintech Business Models and their applications in banks, Incubation Start Ups and IFRS 16 on Leases.

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 can 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.

Conflict 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 2019, 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 46 – 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 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. This is after considering the volume of work, industry benchmarks and international practices. Non executive directors are paid fees as approved by the Annual General Meeting of the shareholders. 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 2018 is disclosed below:-

	Name	2019 TZS Million	2018 TZS' Million
1	Dr. Ally H. Laay	**69**	69
2	Boniface C. Muhegi	**70**	77
3	Rose F. Metta	**64**	59
4	Hosea E. Kashimba	**64**	68
5	Ebenezer N. Essoka	**58**	59
6	Prof Neema M. Mori	**73**	59
7	Jes Klausby	**64**	68
8	Prof. Faustine K. Bee	**58**	23
9	Abdul A. Mohamed	**29**	-
10	Dr. Fred M. Msemwa	**32**	-
11	Charles E. Kichere	**64**	59
12	Madren N. Oluoch-Olunya	**14**	77
13	Prof. Mohamed H. Warsame	**16**	77
14	Apollo B. Temu	**14**	23
15	Devotha N. Minzi	**-**	38
16	Juma A. Abdulrahman	**-**	44
17	Abdulmajid M. Nsekela**	**-**	-
	TOTAL	**689**	**801**

* ** Mr. Abdulmajid Nsekela (Managing Director) is an ex-officio member who is paid monthly salary by the Bank. This is part of key management remuneration disclosed under section 8.18.

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 9,844 million (2018: TZS 7,449 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

CRDB Bank Group led by the Group CEO & Managing Director, who is assisted by three C-suite executives namely: the Chief Financial Officer (CFO), Chief Commercial Officer (CCO) and Chief Operations Officer (COO). The CFO is responsible for managing all financial affairs of the Bank while the CCO oversees sees all commercial functions of the business and they both report to the CEO. The commercial functions of the business entail Retail Banking, Corporate Banking, Insurance Brokerage, Microfinance services, Marketing and Customer Experience. Retail Banking and Corporate Banking functions are all headed by Directors, Insurance brokerage and Microfinance services are headed by a GMs, whereas Customer Experience and Marketing are led by unit heads.

Furthermore, the Managing Director is assisted by the Directors of Procurement, Corporate Affairs, Risk & Compliance, Business Transformation, Treasury, Credit, Human Resources, Company Secretary and GM Burundi.

The COO in charge of general operations comprising Facilities Management, Program Office, Information and Communication Technology (ICT), Corporate Security & Business Continuity Management and Banking Operations. ICT and Banking Operations are headed by Directors, whereas Corporate Security & BCM, Program Office and Facilities Management are headed by Unit Heads.

The Director of Internal Audit reports directly to the Board through the Board Audit Committee.

MANAGEMENT COMMITTEES

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

EXECUTIVE COMMITTEE (EXCO)

The EXCO committee comprises the Managing Director who is the chair, Chiefs and all directors reporting to him. The Executive Committee meets monthly 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 the attainment of the goals;
e) Review the viability of any acquisition or establishment of any new business or disposal of any business within its mandate or for board approval; and
f) Review and recommend the annual budget to the Board for approval.

MANAGEMENT COMMITTEE (MCM)

The committee chaired by the Managing Director and comprises all Chiefs, Directors General Managers and unit heads that report to Chiefs. The Committee is responsible for reviewing and monitoring the implementation of day to day business and operations. The committee meets at least once a month.

ASSET LIABILITY MANAGEMENT COMMITTEE (ALCO)

The committee is composed of Managing Director, CFO, CCO, Directors of Treasury, Credit, Corporate Banking, Business Transformation, Risk & Compliance and Retail. The Committee meets on a monthly basis 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 the context of 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; and

e) Measuring and monitoring the investment risk of the

f) 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 (MCC)

The committee is composed of Managing Director, CFO, CCO, Directors of Treasury, Credit, Corporate Banking and Retail. The Committee meets on a monthly basis and may hold special sittings to discuss pertinent matters that may require urgent attention. The Committee has the following duties:-

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

RISK, AUDIT AND COMPLIANCE COMMITTEE (MARC)

The committee is composed of Managing Director, all Chiefs, all Directors and all unit heads reporting to chiefs. The Committee meets on monthly basis and may convene to special sessions as and when necessary. The main responsibilities of the Committee are:-

1. Implementing strategies and policies of the Board on risk management;
2. Monitoring risk exposures through key risk indicators and deliberate on the actions to mitigate them;
3. 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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1 INTRODUCTION

The Directors have the pleasure to submit their report and the audited financial statements for the year ended 31 December 2019, which disclose the state of affairs of CRDB Bank Plc ("the Bank") and its subsidiaries, CRDB Microfinance Services Company Limited, 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 three wholly owned subsidiaries namely CRDB Insurance Broker Limited, CRDB Microfinance Services Company Limited incorporated in the United Republic of Tanzania in 2007 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 while CRDB Microfinance Services Company subsidiary is mainly engaged in the provision of micro-finance services on behalf of the parent company 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 268 branches including franchised and mobile branches, 560 ATMs, 2,237 Point of Sales (POS) terminals, 14,761 Agents (CRDB Wakala), 402 Microfinance partner institutions, 380 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 (CRDB Wakala).

6 COMPOSITION OF THE BOARD OF DIRECTORS

As of 31 December, 2019, 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	63	Tanzanian	Re-appointed May 2019
Abdulmajid M. Nsekela	Managing Director, Ex Officio	48	Tanzanian	Appointed October 2018
Prof. Neema M. Mori	Non-executive Director	41	Tanzanian	Appointed May 2017
Rose F. Metta	Non-executive Director	50	Tanzanian	Re-appointed May, 2018
Jes Klausby	Non-executive Director	64	Danish	Appointed November 2017
Boniface C. Muhegi	Non-executive Director	65	Tanzanian	Re-appointed May 2019
Ebenezer N. Essoka	Non-executive Director	64	Cameroonian	Appointed March 2016
Hosea E. Kashimba	Non-executive Director	49	Tanzanian	Appointed July, 2016
Prof. Faustine K. Bee	Non-executive Director	60	Tanzanian	Appointed May 2018
Dr. Fred M. Msemwa	Non-executive Director	47	Tanzanian	Appointed May 2019
Abdul A.Mohamed	Non-executive Director	29	Tanzanian	Appointed May 2019
Martin S. Warioba	Independent Non-executive Director	42	Tanzanian	Elected May 2019 / Appointment approved in December 2019
Charles E. Kichere	Non-executive Director	49	Tanzanian	Resigned November 2019
Madren N. Oluoch-Olunya	Non-executive Director	47	Kenyan	Resigned February 2019
Prof. Mohamed H. Warsame	Non-executive Director	46	Tanzanian	Resigned February 2019
Apollo B. Temu	Non-executive Director	50	Tanzanian	Resigned February 2019

The Company Secretary during the year ended 31 December 2019 was Mr John-Baptist Rugambo (Tanzanian), 52 years old.

At the Annual General Meeting (AGM) held on 18 May 2019, Mr. Abdul Ally Mohamed was elected to represent Shareholders holding less than 1% of the Bank's shares and Dr.Fred Matola Msemwa was elected to represent shareholders holding between 1% and 10% of the Bank's share capital.

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 recognises 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.

7 CORPORATE GOVERNANCE (CONTINUED)

The Board of Directors (continued)

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 2019, the Board had 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: Recent Developments in Digital Banking, Trends in Cybercrime and Cyber Security Strategies, Fintech Business Models and their applications in banks, Incubation Start Ups and IFRS 16 on Leases.

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 2019, 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.

7 CORPORATE GOVERNANCE (CONTINUED)

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 six times during the year, it comprised of the following members:

	Name	Nationality	Qualification
1	Hosea E. Kashimba	Tanzanian	MBA Corporate Management
2	Ebenezer N. Essoka	Cameroonian	MBA in Finance
3	Prof. Faustine K. Bee	Tanzanian	PhD in Development Studies
4	Charles E. Kichere	Tanzanian	MBA in Finance
5	Dr. Fred M. Msemwa	Tanzanian	PhD in Business Administration: Public Sector Audit
6	Abdul A. Mohamed	Tanzanian	BSc in Accounting & Finance
7	Rose F. Metta	Tanzanian	MBA in Finance
8	Madren N. Oluoch-Olunya	Kenyan	Master of Laws

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 eight 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	Ebenezer N. Essoka	Cameroonian	MBA in Finance
5	Abdul A. Mohamed	Tanzanian	BSc in Accounting & Finance
6	Madren N. Oluoch-Olunya	Kenyan	Master of Laws

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 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	Hosea E. Kashimba	Tanzanian	MBA in Corporate Management
4	Prof. Faustine K. Bee	Tanzanian	PhD in Development Studies
5	Apollo B. Temu	Tanzanian	MSc IT Software Engineering
6	Prof. Mohamed H. Warsame	Tanzanian	PhD in Business Administration

7 CORPORATE GOVERNANCE (CONTINUED)

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 nine 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	Charles E. Kichere	Tanzanian	MBA in Finance
4	Rose Metta	Tanzanian	MBA in Finance
5	Dr. Fred M. Msemwa	Tanzanian	PhD in Business Administration: Public Sector Audit
6	Apollo B. Temu	Tanzanian	MSc IT Software Engineering
7	Prof. Mohamed H. Warsame	Tanzanian	PhD in Business Administration

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.

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 47 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.

7 CORPORATE GOVERNANCE (CONTINUED)

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 2019, 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.

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 in 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.

7 CORPORATE GOVERNANCE (CONTINUED)

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 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 takes into account 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 under the Corporate Governance Report.

11 MANAGEMENT

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 Financial Officer who report directly to him. The Bank is organized in the following functions:

- Finance;
- 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
Abdul-Majid Nsekela	Managing Director & Chief Executive Officer
Dr. Joseph Witts	Chief Commercial Officer
Esther Kitoka	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 Raballa	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	Acting Director of Credit
Deusdedit Massuka	Acting Director of Information, Communication and Technology
Prosper Nambaya	Acting Director of Corporate Banking
Leo Ndimbo	Acting Director of Business Transformation
Bruce Mwile	General Manager – CRDB Bank Burundi (subsidiary)
Arthur Mosha	General Manager – CRDB Insurance Broker Ltd (subsidiary)
Sebastian Masaki	General Manager – CRDB Microfinance Services 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 9,844 million (2018: TZS 7,449 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 41 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

	2019		2018	
Shareholding Group	**No. of shares**	**%**	**No. of shares**	**%**
10% and more	**894,828,676**	**34.3**	808,949,743	31.0
1% to less than 10%	**705,460,126**	**27.0**	723,578,040	27.7
Less than 1%	**1,011,549,782**	**38.7**	1,079,310,801	41.3
Total	**2,611,838,584**	**100.0**	2,611,838,584	100.0

Companies Shareholding

Shareholders holding 1% or more of the total paid up capital as at 31 December 2019 are listed here under:

	2019		2018	
Shareholders	**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**	318,959,644	12.2
National Social Security Fund - Uganda	**130,000,000**	**5.0**	100,000,000	3.8
Kimberlite Frontier Master Africa Fund LP RCKM	**113,050,049**	**4.3**	109,143,932	4.2
Aunali F. Rajabali and Sajjad F. Rajabali	**82,499,999**	**3.2**	109,999,999	4.2
CDC Group Plc/Re: IFC/AfCap	**66,456,402**	**2.5**	130,692,741	5.0
Patrick Schegg	**50,754,057**	**1.9**	-	-
Change Global Frontier Market, PL Fund-CGPA	**48,066,540**	**1.8**	28,730,740	1.1
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)	**30,000,000**	**1.2**	30,000,000	1.2
CMG Investment Limited	**29,330,971**	**1.1**	29,330,971	1.1
Abbas Export Ltd.	**27,500,000**	**1.1**	-	-
Mehar Singh Virdi	**25,414,028**	**1.0**	25,214,028	1.0
Total	**1,600,288,802**	**61.3**	1,532,527,783	58.7

The total number of shareholders by end of 2019 stood at 30,023 (2018: 29,846 shareholders).

14 SHAREHOLDERS OF THE BANK (CONTINUED)

Directors Shareholding

Shareholders holding by the members of the Board as at 31 December 2019 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	-
Charles E. Kichere	Non-executive Director	-
Boniface C. Muhegi	Non-executive Director	2,241,352
Ebenezer N. Essoka	Non-executive Director	-
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 2019 was TZS 95 (2018: TZS 150). Market capitalization as at 31 December 2019 was TZS 248.12 billion (2018: TZS 391.78 billion).

16 MACRO-ECONOMIC OVERVIEW

In 2019, the Tanzanian economy expanded by 6.8% driven by high public investment and exports. The Government has invested billions of dollars in an ambitious industrialization drive that includes construction of a new rail line, revival of the national airline and a hydropower plant. Annual average headline inflation rate in the year 2019 has decreased to 3.4% from 3.5% recorded in 2018. Next year's elections may create pressure on spending meaning the country might need to strengthen its fiscal management.

The banking sector in Tanzania regained stability in 2019, assuming a growth route sustained by improved business and a growing appetite for credit, especially among Small and Medium-sized Enterprises (SMEs). The sustained growth of credit to the private sector was largely supported by accommodative monetary policy from the Bank of Tanzania (BoT) and ongoing measures by the Government to improve the business environment. Credit to all major economic activities continued to record growth except for hotels and restaurants. During the year, the government increased investments in infrastructure a move that stimulated growth in the private sector. Meanwhile, the government's sustained push transformation of the economy through industrialization also played a major role in driving economic activities across various sectors of the economy. Mobile Network Operators (MNOs) & FinTech companies, continued to disrupt the market with increased investment in financial services, mostly payment platforms. Digital lending fintechs also became more aggressive, targeting the bottom of the pyramid segment of the market.

17 FINANCIAL PERFORMANCE FOR THE YEAR

Financial Performance

Group

CRDB Bank remains to be the largest commercial Bank in Tanzania with a leading share of total deposits (23%) and total assets (20%) in the market. During the year, the Group's total asset grew by 9.3% to TZS 6,597.2 billion (2018: TZS 6,035.4 billion) whereas customer deposits increased by 11.0% to TZS 5,202.2 billion (2018: TZS 4,687.2 billion). Loans and advances to customers increased by 8.2% from TZS 3,126.7 billion in 2018 to TZS 3,382.0 billion in 2019. Innovative products and services that were offered to the public contributed such positive trend.

In 2019 the Group recorded a profit before tax of TZS 174.7 billion (2018: TZS 99.1 billion), an increase of 76.2% from the previous year. During the year, interest income increased from TZS 611.9 billion recorded in 2018 to TZS 660.4 billion in 2019, an increase of 7.9%. The interest expenses decreased from TZS 143.4 billion in the prior year to TZS 116.3 billion, a decrease of 18.9%. Combined with commissions and fees, total non-interest income increased from TZS 219.3 billion to TZS 251.5 billion, an increase of 14.7%.

Operating cost increased by 12.3% from TZS 428.9 billion in 2018 to TZS 481.5 billion in 2019. Cost management and digital transformation initiatives show positive trend towards cost containment.

CRDB Microfinance Services Company Limited

The subsidiary was not engaged on any business operations during the year. As a result the company recorded a loss of TZS 4.1 billion (2018: TZS 8.7 billion loss). The loss incurred has been mainly attributed to increase in provision of impaired assets. Total assets of the Company as at 31 December 2019 were TZS 6.3 billion (2018: TZS 17.5 billion)

CRDB Bank Burundi S.A.

During the year under review, CRDB Bank Burundi made a remarkable 146% growth of pre-tax profit from TZS 2.6 billion recorded in 2018, up to TZS 6.4 billion in 2019. Financial spread grew by 26% to TZS 14.5 billion from TZS 11.1 billion recorded in 2018. Mainly due to growth in the Treasury bonds portfolio and decline in Borrowings. Total deposits increased by 37% to TZS 135.6 billion compared to TZS 98.7 billion recorded in 2018. Total assets grew by 26% to TZS 258.4 billion from TZS 204.8 billion recorded in 2019. Burundi is still facing economic issues which continue to challenge businesses in the country.

CRDB Insurance Broker Company Limited

During the year ended 31 December 2019 the Company made a profit after tax of TZS 1.5 billion compared to TZS 1.3 billion recorded in 2018, representing an annual growth of 17%. Commission income earned is TZS 6.3 billion against TZS 5.6 billion recorded in 2018 which represents 12% annual growth, The increase was mainly attributed to increase in the premiums underwritten. Total assets of the Company increased to TZS 4.9 billion in 2019 compared to 3.8 billion in 2018, representing a 41% yearly growth.

17 FINANCIAL PERFORMANCE FOR THE YEAR (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	
		2019	2018
Return on Equity	(Net profit/Total equity)*100%	**13.8%**	8.3%
Return on Assets	(Profit Before Tax/Total assets) *100%	**2.6%**	1.6%
Operating expenses to Operating Income	(Operating expense/Net interest income + Non Interest income) *100%	**64.4%**	66.7%
Gross loans to customer deposits	(Gross loans to customers/Total deposits from customers) *100%	**68.1%**	70.7%
Growth in customer deposits	(Increase in customer deposits/Opening balance of customer deposits)*100%	**11.0%**	8.4%
Non-performing loans to total loans **	(Non-performing loans/Gross loans and advances)*100%	**5.5%**	8.5%
Growth in loans and advances to customers	(Increase in Loans and advances /Opening balance of loans and advances)*100%	**8.2%**	8.0%
Growth in total assets	(Increase in assets for the year/Total asset opening balance)*100%	**9.3%**	2.3%
Tier 1 Capital ratio	(Core capital/Risk weighted assets including off balance sheet items)*100%	**17.2%**	13.5%
Total Capital ratio	(Total capital/Risk weighted assets including off balance sheet items) *100%	**17.4%**	15.2%
Earnings per share	Profit attributable to equity shareholders/ Number of ordinary shares in issue (TZS)	**46.0**	24.6

** There were no non-performing loans within the Government guaranteed loans as at 31 December 2019 (2018: Nil).

17 FINANCIAL PERFORMANCE FOR THE YEAR (CONTINUED)

Financial Performance (continued)

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 2019 compared to the year 2018. The Current/ Savings Account (CASAs) represented 79% of total customer deposits in 2019 (2018: 79%). This intereprets a lower cost of funds for the Bank.

The balance between debt and equity was as follows;

	GROUP		BANK	
	2019 TZS'Million	2018 TZS'Million	2019 TZS'Million	2018 TZS'Million
Debt				
Customer deposits	**5,202,247**	4,687,174	**5,068,843**	4,583,090
Borrowings - Current	**29,485**	58,502	**29,485**	58,502
Borrowings – Non-current	**300,007**	400,559	**300,007**	400,559
	5,531,739	5,146,235	**5,398,335**	5,042,151
Equity				
Issued capital	**65,296**	65,296	**65,296**	65,296
Share premium	**158,314**	158,314	**158,314**	158,314
Retained earnings	**619,407**	489,227	**607,181**	474,991
Other reserves	**30,052**	60,783	**23,528**	54,799
	873,069	773,620	**854,319**	753,400

18 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.

19 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 2019, the Group had an outstanding exposure of TZS 297 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 2019, the Group and Bank were compliant with all the lender's covenants.

20 CASH FLOWS

The Group's major source of cash flow was from operating activities, which was attributable to increase in customer deposits from by TZS 524.2 billion (2018: increase of TZS 400.4 billion). The funds generated in 2019 was mainly utilised to increase the Group's investment in government securities by TZS 172.8 billion (2018: increase of TZS 110.2 billion), servicing borrowings by TZS 157.4 billion (2018: TZS 247.5 billion), and increase lending to customers by TZS 544.5 billion (2018: increase of TZS 540.3 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.

21 RESULTS AND DIVIDENDS

The Board recommends a dividend of TZS 17 per share from the year 2019 profit after Tax (2018: TZS 8 per share). The total amount of dividend recommended is TZS 44.4 billion (2018: TZS 20.9 billion), which is 37% of the net profit.

22 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.

23 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

24 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 seats monthly.

24 TREASURY OBJECTIVES AND POLICIES (CONTINUED)

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

Provide 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

Provide 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.

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.

25 FUTURE DEVELOPMENT PLANS

2019 was the second year of the implementation of the Bank's five-year business strategy for the period 2018 - 2022; with the theme "Drive digital adoption"; as a continuation of the digital transformation journey. 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.

26 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.

27 KEY STRENGTH AND RESOURCES

The Group continues to give its top priority to key resources that are people and technology which gives us strength in service delivery, productivity and financial strength. The Group has skilled and experienced employees who are considered as a key resource in pursuing its business objectives and continues to encourage open and honest communication in decision-making.

Information and Communication Technology (ICT) is an enabler in service delivery. This is the reason why the Group continued to invest in advanced technology to realise operational excellence and better service delivery to our customers.

The Group continues to focus on enhancing productivity culture throughout the Group. Given the strength and resources of the Group, we have ample capacity to provide the quality service to our customers.

28 SOLVENCY

The state of affairs of the Group and the Bank as at 31 December 2019 is set out on page 127 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.

29 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 2 and 5 to the Financial Statements.

30 ACQUISITIONS AND DISPOSALS

Effective from 1 January 2019, the business operations of CRDB Microfinance Services Company Limited were transferred to the parent company. This was in line with the resolution passed on a meeting of the Board of Directors held in October 2018. The aim was to allow the engaged consultant to undertake a holistic review of microfinance business strategy, governance structure and operating model of the company

Following the recommendations of the consultant, the Board of Directors recommended to the Annual General Meeting on voluntarily winding up of CRDB Microfinance Services Company Limited. The processes to effect the winding up of the company will be effected in year 2020.

31 INVESTMENTS

The Group held the following equity investments as at 31 December 2019:

Investment	Number of shares	Value of shares (TZS' Million)
Tanzania Mortgage Refinance Company (TMRC)	3,000,000	4,652
Dar es Salaam Stock Exchange (DSE)	327,632	321
Tandahimba Community Bank (TACOBA)*	3,300,000	3,040
Burundi National switch	10,000	122

*The Group holds 3,200 million preference shares and 100,000 ordinary shares of TACOBA

32 INVESTMENT IN SUBSIDIARY

The Bank has established three wholly owned subsidiaries namely CRDB Insurance Broker Limited, CRDB Microfinance Services Company Limited incorporated in the United Republic of Tanzania in 2007 and CRDB Bank Burundi S.A. incorporated in the Republic of Burundi in 2012. CRDB Microfinance Services Company Limited is expected to be wound up in 2020.
The countries of incorporation is also their principal place of business.

33 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	- Formalised 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.

34 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.

34 EMPLOYEES' WELFARE (CONTINUED)

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.

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 2019, there were two (2) persons with disabilities who are employees of the Bank.

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.

35 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 2019, the Group total workforce stood at 3,467 staff where 1,955 (56%) were males and 1,512 (44%) 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.

36 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 1,631 million (2018: TZS 159 million), while loans and advances to Directors and other key management personnel amounted to TZS 5.8 billion (2018: TZS 5.3 billion). The volumes of related party transactions for the year and the outstanding amounts at the year-end are provided under Note 47 of the financial statements.

37 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 video conference 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.

38 CORPORATE SOCIAL RESPONSIBILITY

The Group believes that to make a lasting impact in the community, social responsibility must be integrated into the organization's culture to build a better and sustainable society. The Group's Corporate Social Investment (CSI) Policy recognizes Education, Health and Environment as important drivers of sustainable development. These three form critical pillars of our social investment strategy, which guides our involvement in the community.

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.

38 CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

Education

The Group extended a total of TZS 153.4 million towards supporting Education initiatives in the country during the year 2019. A large portion of the funds were utilized to procure critical amenities such as desks and computers, improving infrastructure through construction and renovation of classrooms and engaging in social activities through event sponsorships.

Health

During the year, the Bank spent a total of TZS 261.0 million towards improving healthcare in the country. The support focused on construction of dispensaries, wards and specialized clinics, among other critical amenities.

Youth

During the year, the Group spent a total of TZS 316.2 million towards supporting various sporting activities ranging from marathons and tournaments. Sports present a unique opportunity to create healthier communities and foster harmonious collaboration.

Institutional support/others

The Bank, working with leading foundations, government agencies as well as private sector groups focused on driving value from the various events and activities. A total of TZS 178.6 million was spent by the Bank to support public sector programs, including Financial Literacy and Entrepreneurship.

39 POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group did not make any political contributions during the year (2018: NIL).

40 SERIOUS PREJUDICIAL MATTERS

During the year 2019, there were no serious legal matters which could affect the Group or Bank (2018:None).

41 EVENTS AFTER REPORTING PERIOD

As widely reported COVID-19 pandemic continues to affect countries and businesses globally. Risks to businesses arising from the pandemic could include market, services and supply chain disruptions, unavailability of key people resources, locations being quarantined, among others. Government of the United Republic of Tanzania, business communities and societies in general are taking appropriate preventive and remedial measures to combat the pandemic.

At the time of issuing these financial statements the directors have assessed that, whereas concerted preventive measures have been instituted to mitigate the possible negative impact of the pandemic to the Bank's operations, it was impracticable to determine, quantify and disclose the extent of the possible future direct or indirect impact of the pandemic to the Bank's operations. It is reasonably possible that certain assumptions, estimates and judgements used in preparation of the financial statements may be affected in the future by the possible negative impact and hence the carrying amounts of assets and liabilities reported in these financial statements.

There were no other events after the reporting period which require adjustment or disclosure in the financial statements.

42 STATEMENT OF COMPLIANCE

The Directors' Report has been prepared in compliance with the Tanzania Financial Reporting Standard No. 1 (Directors' Report).

43 AUDITORS

The auditor, Ernst and Young, have expressed their willingness to continue in office and are eligible for re-appointment. 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:

27 March 2020

Dr. Ally H. Laay
Chairman

Date

27 March 2020

Hosea E. Kashimba
Non-executive Director

Date

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2019

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 with the exception of CRDB Microfinance Services Company Limited whereby a resolution for winding has been passed and the process is expected to be completed within 12 months.

Signed on behalf of the Board of Directors by:

27 March 2020

Dr. Ally H. Laay
Chairman

Date

DECLARATION OF THE CHIEF FINANCIAL OFFICER FOR THE YEAR ENDED 31 DECEMBER 2019

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 Director of Finance responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors 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 119.

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 2019 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:

27 March 2020

Frederick B. Nshekanabo Date

Chief Financial Officer
ACPA 1388

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 127 to 293, which comprise the consolidated and separate statements of financial position as at 31 December 2019, 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 2019, 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.

REPORT ON THE AUDIT OF THE GROUP AND BANK FINANCIAL STATEMENTS (CONTINUED)

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 2019, the provision for impairment on Financial Assets at Amortised Cost was TZS 91.5 billion (2018: TZS 114.7 billion) and on Financial Assets at Fair Value Through Other Comprehensive Income is TZS Nil. This represents the estimation of expected losses 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 2(g) to 2(n) to the financial statements on pages 148 to 155.	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.

REPORT ON THE AUDIT OF THE GROUP AND BANK FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

No.	Key audit matter	How our audit addressed the key audit matter
2.	**Compliance – open tax positions**	
	The Group is multinational and has operations in Tanzania and Burundi. Operating in these territories presents increased operational, regulatory and financial risks due to the need to comply with multiple regulatory and legislative environments, including legislation relating to banking and tax. We focused on compliance with tax and banking laws and regulations because breaches of compliance could have a significant effect on the results and financial position of the Group. The Group had open tax assessments amounting to TZS 1.7 billion as a year end as disclosed in note 36A. Inappropriate assumptions over provisioning for tax exposures was one of the judgemental areas we focused on. We also considered there to be a risk that the disclosures on tax in note 45 which are significant to the understanding of the Bank's and the Group's income tax position are not complete.	Our audit procedures included: • Assessing of controls over the identification, evaluation and measurement of potential obligations arising from legal and regulatory matters. • Involving our tax specialists to analyse and evaluate the assumptions used to determine provisions for tax matters based on their knowledge and experience of local regulations and practices. • Inspecting appropriate documentation considered necessary to understand the position and conclusions made by the Group on open tax positions and using our experience of local practices, assessing the judgements made by the Group in arriving at any potential provisions and contingencies relating to compliance with tax laws and regulations. • Considering the exposure to breaches of legislation by making appropriate enquiry of the Group management in relation to compliance with laws and regulations and the existence and status of any significant regulatory and legal matters. • Inspecting correspondence with tax authorities and central banks, and tax authority audit / inspection reports for the components that we directly audited, and inspecting reports received from component auditors to identify actual and potential noncompliance with tax and banking laws and regulations that could materially affect the Group's financial statements. • Instructing component audit teams to perform full scope audits and consider compliance with tax and banking laws and regulations as areas of higher inherent audit risk and performing procedures to respond to this risk. • Evaluating whether the capital adequacy ratios of the Bank were computed in accordance with the Bank of Tanzania regulations and whether the disclosures on capital management were complete. • Evaluating the completeness of the Group's disclosures on capital adequacy and tax positions.

REPORT ON THE AUDIT OF THE GROUP AND BANK FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Other Information included in the Group's 2019 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.

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.

REPORT ON THE AUDIT OF THE GROUP AND BANK FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

- 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.

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONTINUED)

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 4.5 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.

27 March 2020

Neema Kiure Mssusa - (FCPA 1227)

Date

For and behalf of:
Ernst & Young
Certified Public Accountants
Dar es Salaam

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		GROUP		BANK	
		2019	2018	2019	2018
	Note	TZS'Million	TZS'Million	TZS'Million	TZS'Million
Interest income calculated using the effective interest method	6	**660,397**	611,989	**640,804**	592,910
Interest expense	7	**(116,308)**	(143,444)	**(111,563)**	(135,804)
Net interest income		**544,089**	468,545	**529,241**	457,106
Impairment of financial assets	26	**(91,503)**	(114,669)	**(91,487)**	(114,365)
Net interest income after impairment of financial assets		**452,586**	353,876	**437,754**	342,741
Fee and commission income	8A	**182,524**	147,497	**172,835**	141,101
Fee and commission expense	8B	**(26,048)**	(19,433)	**(25,704)**	(25,348)
Net fee and commission income		**156,476**	128,064	**147,131**	115,753
Foreign exchange income	9	**38,660**	31,326	**37,861**	30,428
Income from security trading	10	**6,313**	11,698	**6,313**	11,698
Other operating income	11	**2,132**	3,033	**8,606**	1,178
Other operating expenses	12	**(161,904)**	(175,082)	**(153,153)**	(160,998)
Depreciation and amortization	13	**(59,061)**	(43,281)	**(57,446)**	(41,853)
Employee benefit expenses	14	**(260,517)**	(210,517)	**(252,128)**	(195,156)
		(481,482)	(428,880)	**(462,727)**	(398,007)
Profit before income tax		**174,685**	99,117	**174,938**	103,791
Income tax expense	15A	**(54,540)**	(34,985)	**(52,292)**	(34,203)
Profit for the year		**120,145**	64,132	**122,646**	69,588
Profit attributable to:					
Owners of the parent entity		**120,145**	64,132	**122,646**	69,588
Non-controlling interests*		**-**	-	**-**	-
		120,145	64,132	**122,646**	69,588

*The Group's subsidiaries are 100% owned by the parent entity.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

		GROUP		BANK	
		2019	2018	2019	2018
	Note	TZS'Million	TZS'Million	TZS'Million	TZS'Million
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss:					
Revaluation gain on government securities at FVOCI		**(3,343)**	11,306	**(5,838)**	11,306
Unrealised gain on equity investments	41	**(607)**	1,705	**(607)**	1,705
Income tax relating to these items	33	**1,751**	(3,339)	**1,751**	(3,339)
		(2,199)	9,672	**(4,694)**	9,672
Items that may not be subsequently reclassified to profit or loss:					
Translation reserve		**(1,334)**	250	**-**	-
Revaluation surplus – Motor vehicles		**3,861**	-	**3,861**	-
Other comprehensive income for the year, net of tax		**328**	9,922	**(833)**	9,672
Total comprehensive income for the year		**120,473**	74,054	**121,813**	79,260
Total comprehensive income attributable to:					
Owners of the parent entity		**120,473**	74,054	**121,813**	79,260
Non-controlling interests*		**-**	-	**-**	-
		120,473	74,054	**121,813**	79,260
Basic and diluted earnings per share attributable to equity holders of the parent entity (TZS)	16	**46.00**	24.55	**46.95**	26.64

*The Group's subsidiaries are 100% owned by the parent entity.

STATEMENTS OF FINANCIAL POSITION AS AT 31ST DECEMBER 2019

		GROUP		BANK	
		2019	2018	2019	2018
		TZS'Million	TZS'Million	TZS'Million	TZS'Million
ASSETS					
Cash and balances with Central Banks	18	**764,015**	700,991	**753,462**	691,163
Government securities at amortised cost	19	**951,178**	757,080	**819,727**	700,129
Government securities at FVOCI	19	**461,665**	481,003	**461,665**	481,003
Corporate Bonds	20	**4,520**	3,516	**4,520**	3,516
Loans and advances to banks	21	**323,677**	345,698	**346,776**	362,353
Loans and advances to customers	22	**3,382,024**	3,126,733	**3,325,613**	3,061,544
Credit cards	24	**1,312**	533	**1,312**	533
Non-current assets held for sale	25	**16,600**	16,600	**16,600**	16,600
Investment in subsidiaries	29	**-**	-	**22,411**	22,411
Equity investments at FVOCI	27	**8,135**	7,013	**8,013**	7,013
Other assets	28	**203,278**	149,345	**199,829**	144,192
Current income tax	15B	**18,962**	16,842	**16,713**	13,915
Property and equipment	30A	**279,956**	278,503	**269,543**	267,095
Motor vehicles and mobile branches	30B	**14,435**	11,872	**13,254**	10,688
Right-of-Use assets	30C	**39,175**	-	**38,329**	-
Leasehold land	31	**10,306**	10,572	**10,306**	10,572
Intangible assets	32	**36,060**	42,571	**35,258**	41,536
Deferred tax asset	33	**81,950**	86,515	**81,957**	85,087
TOTAL ASSETS		**6,597,248**	6,035,387	**6,425,288**	5,919,350
LIABILITIES					
Deposits from customers	34	**5,202,247**	4,687,174	**5,068,843**	4,583,090
Deposits from Banks	35	**25,195**	3,994	**6,498**	3,994
Lease liabilities	36B	**39,778**	-	**38,903**	-
Other liabilities	36A	**114,811**	97,520	**114,641**	105,850
Provisions	37	**4,671**	4,041	**4,671**	4,041
Grants	38	**7,985**	9,977	**7,921**	9,914
Borrowings	39	**297,092**	426,661	**297,092**	426,661
Subordinated debts	40	**32,400**	32,400	**32,400**	32,400
TOTAL LIABILITIES		**5,724,179**	5,261,767	**5,570,969**	5,165,950
EQUITY					
Share capital	41	**65,296**	65,296	**65,296**	65,296
Share premium	42	**158,314**	158,314	**158,314**	158,314
Retained earnings	42	**619,407**	489,227	**607,181**	474,991
Legal provision reserve	42	**3,346**	1,228	**-**	-
Translation reserve	42	**2,186**	3,520	**-**	-
General Banking reserve	42	**695**	31,020	**-**	30,195
Revaluation reserve	42	**23,825**	25,015	**23,528**	24,604
TOTAL EQUITY		**873,069**	773,620	**854,319**	753,400
TOTAL LIABILITIES AND EQUITY		**6,597,248**	6,035,387	**6,425,288**	5,919,350

The financial statements on pages 137 to 293 were approved and authorised for issue by the Board of Directors on 20 March 2020 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	Note	Share capital	Share premium	Retained earnings	General Banking reserve	Legal provision reserve	Revaluation reserve	Translation reserve	Total
		TZS' Million	TZS' Million	TZS' Million	TZS' Million	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Year ended 31 December 2019									
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 government securities at fair value through OCI	42	-	-	2,495	-	-	(4,087)	-	(1,592)
Transfer of excess depreciation net of deferred tax	42	-	-	357	-	-	(357)	-	-
Revaluation surplus – Motor Vehicle		-	-	-	-	-	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	42	-	-	30,195	(30,325)	-	-	-	(130)
Legal provision		-	-	(2,118)	-	2,118	-	-	-
Transactions with shareholders									
Dividends paid	17	-	-	(20,894)	-	-	-	-	(20,894)
At 31 December 2019		65,296	158,314	619,407	695	3,346	23,825	2,186	873,069

*The Group's subsidiaries are 100% owned by the parent entity.

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

GROUP	Note	Share capital TZS' Million	Share premium TZS' Million	Retained earnings TZS' Million	General Banking reserve TZS' Million	Legal provision reserve TZS' Million	Revaluation reserve TZS' Million	Translation reserve TZS' Million	Total TZS' Million
Year ended 31 December 2018									
At 1 January 2018		65,296	158,314	463,424	27,217	317	15,622	3,270	733,460
- Impact of adopting IFRS 9		-	-	(30,063)	-	-	-	-	(30,063)
- Deferred tax asset				8,931					8,931
- Other adjustments		-	-	(107)	-	-	-	-	(107)
At 1 January 2018 (restated)		65,296	158,314	442,185	27,217	317	15,622	3,270	712,221
Profit for the year		-	-	64,132	-	-	-	-	64,132
Comprehensive income									
Gain on government securities at fair value through OCI	42	-	-	-	-	-	7,967	-	7,967
Transfer of excess depreciation net of deferred tax	42	-	-	279	-	-	(279)	-	-
Translation reserve		-	-	-	-	-	-	250	250
Unrealised gain on equity investments		-	-	-	-	-	1,705	-	1,705
Total comprehensive income		-	-	64,411	-	-	9,393	250	74,054
Transfer to general Banking reserve and regulatory Banking risk reserve	42	-	-	(3,399)	3,803		-	-	404
Legal provision		-	-	(911)	-	911	-	-	-
Transactions with shareholders		-	-	-	-	-	-	-	-
Dividends paid	17	-	-	(13,059)	-	-	-	-	(13,059)
At 31 December 2018		65,296	158,314	489,227	31,020	1,228	25,015	3,520	773,620

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

BANK	Note	Share capital	Share premium	Retained earnings	General Banking reserve	Revaluation reserve	Total
		TZS' Million	TZS' Million	TZS' Million	TZS'Million	TZS' Million	TZS' Million
Year ended 31 December 2019							
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	42	**-**	**-**	**-**	**-**	**(4,087)**	**(4,087)**
Transfer of excess depreciation net of deferred tax	42	**-**	**-**	**243**	**-**	**(243)**	**-**
Revaluation surplus – Motor Vehicle		**-**	**-**	**-**	**-**	**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 paid	17	**-**	**-**	**(20,894)**	**-**	**-**	**(20,894)**
At 31 December 2019		**65,296**	**158,314**	**607,181**	**-**	**23,528**	**854,319**

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

BANK	Note	Share capital TZS' Million	Share premium TZS' Million	Retained earnings TZS' Million	General Banking reserve TZS' Million	Revaluation reserve TZS' Million	Total TZS' Million
Year ended 31 December 2018							
At 1 January 2018		65,296	158,314	442,494	26,796	15,135	708,035
- Impact of adopting IFRS 9		-	-	(29,772)	-	-	(29,772)
- Deferred tax asset				8,931			8,931
- Other adjustments		-	-	5	-	-	5
At 1 January 2018 (restated)		65,296	158,314	421,658	26,796	15,135	687,199
Profit for the year		-	-	69,588	-	-	69,588
Comprehensive income							
Gain on debt instruments at fair value through OCI	42	-	-	-	-	7,967	7,967
Transfer of excess depreciation net of deferred tax	42	-	-	-	-	-	-
Revaluation surplus – Motor Vehicle		-	-	203	-	(203)	-
Unrealised gain on equity investments		-	-	-	-	1,705	1,705
Total comprehensive income		-	-	69,791	-	9,469	79,260
Transfer to general banking reserve and regulatory banking risk reserve		-	-	(3,399)	3,399	-	-
Transactions with shareholders							
Dividend paid	17	-	-	(13,059)	-	-	(13,059)
At 31 December 2018		65,296	158,314	474,991	30,195	24,604	753,400

STATEMENT OF CASH FLOWS

	Notes	GROUP 2019 TZS' Million	GROUP 2018 TZS' Million	BANK 2019 TZS' Million	BANK 2018 TZS'Million
Cash flow from operating activities					
Profit before income tax		**174,685**	99,117	**174,938**	103,791
Adjustment for:					
Depreciation of property and equipment	30A	**31,101**	30,996	**30,372**	30,260
Amortization of intangible assets	32	**10,592**	8,664	**10,305**	8,381
Depreciation of motor vehicle nad mobile branches	30B	**3,876**	4,091	**3,481**	3,683
Amortization of leasehold land	31	**316**	316	**316**	316
Amortization of right-of-use assets	30C	**13,176**	-	**12,972**	-
(Gain)/Loss on disposal of property and equipment	11	**(388)**	736	**(362)**	885
Loan impairment charges and non-cash recoveries		**96,014**	115,323	**95,998**	115,019
Provisions - Government securities	19	**348**	(780)	**348**	(780)
Provisions - Placements	21	**258**	(37)	**258**	(37)
Provisions – Off balance sheet	23	**(5,109)**	145	**(5,109)**	145
Provisions – Credit cards	24	**(8)**	18	**(8)**	18
Other assets impairment charges	28	**10,186**	8,277	**8,467**	8,073
Grant utilization	38	**(1,992)**	(5,248)	**(1,992)**	(3,543)
Foreign currency exchange loss on grants	38	**-**	50	**-**	51
Foreign currency exchange (gain)/loss on borrowings	39	**(84)**	9,914	**(84)**	9,914
Foreign currency exchange loss on disposal of PPE		**434**	-	**-**	-
Foreign currency exchange gain on cash and cash equivalents		**(1,961)**	(16,578)	**(1,350)**	(16,578)
Net interest income		**(544,089)**	(468,545)	**(529,241)**	(457,106)
		(212,645)	(213,541)	**(200,691)**	(197,508)
Changes in operating assets and liabilities:					
Statutory minimum reserve		**(1,485)**	5,399	**(4,011)**	5,399
Government securities		**(172,819)**	(110,196)	**(100,735)**	(99,363)
Investments in Bonds		**(1,000)**	(3,294)	**(1,000)**	(3,294)
Loans and advances to banks		**17,880**	-	**11,500**	-
Loans and advances to customers		**(544,509)**	(540,261)	**(523,711)**	(517,189)
Other assets		**(79,230)**	(57,205)	**(78,759)**	(55,775)
Deposits from banks		**16,439**	(78,228)	**2,504**	(76,685)
Deposits from customers		**524,249**	400,389	**470,456**	386,046
Other liabilities		**17,550**	1,212	**8,791**	(7,187)
Provisions		**5,739**	811	**5,739**	811
		(217,186)	(381,373)	**(209,226)**	(367,237)
Interest received from loans and advances to customers and Banks		**660,397**	611,989	**640,804**	592,910
Interest received from Government securities		**172,221**	149,672	**164,727**	142,709
Interest received from Corporate bonds		**480**	-	**480**	-
Interest paid		**(90,341)**	(105,660)	**(81,415)**	(102,728)
Income tax paid	15B	**(49,024)**	(43,703)	**(48,871)**	(42,937)
Net cash generated from operating activities		**263,902**	17,384	**265,808**	25,209

STATEMENT OF CASH FLOWS (CONTINUED)

		GROUP		BANK	
		2019	2018	2019	2018
	Notes	TZS' Million	TZS' Million	TZS' Million	TZS'Million
Cash flows from investing activities					
Purchase of property and equipment	30A	**(33,095)**	(92,125)	**(32,906)**	(91,291)
Purchase of motor vehicle	30B	**(3,250)**	(417)	**(2,777)**	(417)
Acquisition of leasehold land	31	**(50)**	(121)	**(50)**	(121)
Purchase of intangible assets	32	**(4,118)**	(13,459)	**(4,027)**	(13,269)
Investment in shares	27	**(880)**	-	**(758)**	-
Proceeds from disposal of property and equipment		**1,183**	233	**1,037**	126
Net cash used in investing activities		**(40,210)**	(105,889)	**(39,481)**	(104,972)
Cash flows from financing activities					
Dividends paid		**(20,895)**	(13,012)	**(20,895)**	(13,012)
Repayment of borrowings	39	**(126,985)**	(205,196)	**(126,985)**	(205,196)
Interest paid on borrowings	39	**(30,404)**	(42,265)	**(30,404)**	(42,265)
Grants received	38	**-**	715	**-**	-
Net cash (used in)/from by financing activities		**(178,284)**	(259,758)	**(178,284)**	(260,473)
Cash and cash equivalents at 1 January		**703,651**	1,068,492	**690,723**	1,047,537
Net cash (used in)/generated from operating activities		**263,902**	17,384	**265,808**	25,209
Net cash used in investing activities		**(40,210)**	(105,889)	**(39,481)**	(104,972)
Net cash from financing activities		**(178,284)**	(259,758)	**(178,284)**	(260,473)
Effect of exchange rate change on cash and cash equivalents		**(1,961)**	(16,578)	**(1,350)**	(16,578)
Cash and cash equivalents at 31 December	43	**747,098**	703,651	**737,416**	690,723

INDEX TO NOTES

1 GENERAL INFORMATION

CRDB Bank Plc (the "Bank") and its subsidiaries CRDB Microfinance Company Services Limited, 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 Microfinance Services Company Limited and CRDB Insurance Broker 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 Accomodation Scheme Building
Azikiwe Street
PO Box 268
Dar es Salaam

The consolidated and Bank's financial statements for the year ended 31 December 2019 were approved for issue by the Board of Directors on 20 March 2020. Neither the entity's owners nor others have the power to amend the financial statements after issue.

2 SIGNIFICANT ACCOUNTING POLICIES

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.

(a) Basis of preparation

The financial statements are presented in Tanzania shillings (TZS) and the amounts are rounded to the nearest million, except where otherwise indicated.

(i) Compliance with IFRS

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 5.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- Debt instrument at fair value through OCI and motor vehicles-measured at fair value
- Other financial assets and liabilities measured at amortised cost as explained in the accounting policies below.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(iii) 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 2019:

IFRS 16, 'Leases'

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Bank is the lessor.

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Comparatives for the 2018 financial year have not been restated. Adoption of IFRS 16 with a date of transition of 1 January 2019 resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Bank did not early adopt IFRS 16 in previous periods.

On adoption of IFRS 16, the Bank had non-cancellable operating lease commitments of TZS 68,344 million for various properties, branch and ATM outlets. The Bank applied a single recognition and measurements approach for all leases. As at 1 January 2019, TZS 51,301 million recognised as lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.5%.

Leases previously classified as finance leases

The Group did not have leases previously classified as finance lease.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

In applying IFRS 16 for the first time, the Bank has used the following practical expedients permitted by the standard:

- use of the modified retrospective approach – not restate comparable figures
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application,
- not to separate non-lease components (services) from lease component, because the non-lease components of contracts are not significant when compared with the lease components of the contracts, also the cost and administrative burden of allocating consideration to precisely reflecting the Right of Use asset and lease liability; and
- lease prepayments and accruals previously recognized under IAS 37 at 1 January 2019 were added and deducted respectively from the value of the right-of-use assets on adoption.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(iii) New and amended standards adopted by the Group and Bank (continued)

IFRS 16 Leases (continued)

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an arrangement contains a Lease.

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- Right-of-use assets of TZS 51,301 million were recognised and presented in the statement of financial position within "Property, plant and right-of-use assets".
- Additional lease liabilities of TZS 51,301 million were recognised.
- The adoption of IFRS 16 had no impact on the Bank's retained earnings and no material impact on its CET ratio.

Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

	GROUP		BANK	
	2019 TZS' Million	1 Jan 2019 TZS' Million	2019 TZS' Million	1 Jan 2019 TZS' Million
Right of use asset				
Property	**39,175**	52,147	**38,329**	51,301
Lease liabilities				
Current	**1,498**	15,390	**1,498**	15,390
Non - current	**37,677**	36,757	**36,831**	35,911
	39,175	52,147	**38,329**	51,301

Amounts recognized in profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	GROUP		BANK	
	2019 TZS' Million	1 Jan 2019 TZS' Million	2019 TZS' Million	1 Jan 2019 TZS' Million
Depreciation charge of right of use assets				
Property	**13,176**	**-**	**12,972**	**-**
Interest expense (included in finance cost)	**2,615**	**-**	**2,553**	**-**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(iii) New and amended standards adopted by the Group and Bank (continued)

IFRS 16 Leases (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	TZS Million
Operating lease commitments disclosed as at 31 December 2018	68,344
(Less): short-term leases recognised on a straight-line basis as expense	-
	68,344
(Less): effect of discounting on payments included in the operating lease	(17,043)
Discounted using the Bank's incremental borrowing rate of 7.5%	**51,301**
(Less): contracts reassessed as service agreements	-
Lease liability recognised as at 1 January 2019	**51,301**
Of which:	
Current lease liability	15,390
Non-current lease liability	35,911
Total lease liabilities	**51,301**

Measurement of right of use assets

The right-of use assets were measured at the amount of the initial measurement of the lease liability amounts discounted using the lessee's incremental borrowing rate at the date of initial application.

The Bank's leasing activities and how these are accounted for;

The Bank leases office space in various parts of the region. Rental contracts are typically made for fixed periods of 3 to 5 years but may have extension options. 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.

Lease payments to be made under reasonably certain extension options have also included in the measurement of the liability. The lease payments have been discounted using the Bank's incremental borrowing rate. Paragraph 26 of IFRS 16 BC162 allows the use of the rate that is readily observable when determining the incremental borrowing rate for a lease. This is the rate that the Bank would have paid or would have to pay, to borrow money to purchase the type of asset being leased in a similar economic environment. The Bank has used incremental borrowing rate which is effective borrowing rate for all long-term borrowing facilities of the Bank (TZS and Foreign currency facilities) in discounting the leases to get the present value of lease payments.

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, and
- any initial direct costs and 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(iii) New and amended standards adopted by the Group and Bank (continued)

IFRS 16 Leases (continued)

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.

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 Bank.

Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a Group, depending on which approach better predicts the resolution of the uncertainty
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it hasf any uncertain tax positions, particularly those relating to transfer pricing. The tax filings of CRDB Bank and the subsidiaries in different jurisdictions include deductions related to transfer pricing.The Group determined, based on its tax compliance and transfer pricing study, that it is highly probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

The Interpretation did not have a significant impact on the consolidated and separate financial statements of the CRDB. The Group and Bank are currently required to provide information about judgements and estimates made in determination of liabilities arising from uncertain tax positions. Refer note 5(e).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(iii) New and amended standards adopted by the Group and Bank (continued)

Plan Amendment, Curtailment or Settlement – Amendments to IAS 19

The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must :

- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change
- recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling
- separately recognise any changes in the asset ceiling through other comprehensive income.

Annual improvements to IFRS standards 2015-2018 cycle

The following improvements were finalised in December 2018:

- IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages
- IFRS 11 - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
- IAS 12 - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23 - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The adoption of the ammendments did not have significant impact to the Group.

Prepayment Features with Negative Compensation – Amendments to IFRS 9

The narrow-scope amendments made to IFRS 9 Financial Instruments in December 2018 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be ‘reasonable compensation for early termination of the contract’ and the asset must be held within a ‘held to collect’ business model.

The adoption of the ammendments did not have significant impact to the Group.

Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28

The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 Financial Instruments before applying the loss allocation and impairment requirements in IAS 128 Investments in Associates and Joint Ventures.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(iii) New and amended standards adopted by the Group and Bank (continued)

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group and Bank.

Standard or amendment	Key requirement	Effective Date
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.	1 January 2020
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.	1 January 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted by the Group and Bank (continued)

Standard or amendment	Key requirement	Effective Date
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.	1 January 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted by the Group and Bank (continued)

Standard or amendment	Key requirement	Effective Date
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non- monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively. ** In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.	N/A**
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

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries CRDB Microfinance Services Company Limited, CRDB Insurance Broker Limited and CRDB Bank Burundi S.A. for the year ended 31 December 2019. The reporting date for all subsidiaries is 31 December.

Subsidiaries

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.

Separate financial statements

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.

(c) Interest income and expense

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 all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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). 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.

(d) Fees and commission income

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services. 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Fees and commission income (continued)

Fees and commissions receivable which are not an integral part of the effective interest rate are recognised as income as the Group fulfils its performance obligations. The Group's principal performance obligations arising from contracts with customers are in respect of value added services such as; ATM fees, bank transfer charges, and income from card transactions. 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.

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 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.

(e) 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

(f) 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.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:-

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currency translation (continued)

(iii) Group companies (continued)

a) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

b) 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

c) All resulting exchange differences are recognised in other comprehensive income and accumulated in 'translation reserve' in equity.

(g) Classes of financial instruments

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:

Category (as defined by IFRS 9)		Class (as determined by the Bank)		Subclass
Financial Assets	Amortized cost	Loans and Advances to Banks		
		Loans and advances to customers	Loans to individuals (personal lending)	Personal Loans
				Mortgage Loans
			Loans to corporate entities	Corporate Customers
			Loans to SMEs	SME Loans
			Loans to Microfinance	Microfinance Loans
		Investment in Debt securities	Government securities	Treasury Bill and Bonds (SPPI)
			Private Bonds	Private Bonds
	Fair value through other comprehensive income (FVOCI)	Equity investments designated at FVOCI		
		Other treasury bonds held to collect contractual cash flows and sale		
Financial liabilities	Financial liabilities at amortised cost	Deposits from Banks		
		Borrowings, subordinated debts and other liabilities		
		Deposits from customers	Retail customers	
			Corporate customers	

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets

The Bank classifies its financial assets in the following categories: At amortized cost, Fair value through profit or loss (FVPL) and Fair value through other comprehensive income (FVOCI).

Classification and subsequent measurement of financial assets depends on;

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

Based on these factors, the Bank classifies its 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 'Other income' in the period in which it arises.

- **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 taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Other Income'.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

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

Equity instruments

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

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

(i) Recognition of financial assets ssets

The Bank uses trade date accounting for regular way contracts when recording financial asset transactions. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.

(j) Determination of fair value

For 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.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of financial assets

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 investment securities;
- credit cards;
- corporate bonds;
- loan commitments issued;
- financial guarantee contracts issued; and
- Other assets.

No impairment loss is recognised on equity investments.

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. Such events include:

- Internal rating of the borrower indicating default or near-default;
- The borrower requesting emergency funding from the Bank;
- The borrower having past due liabilities to public creditors or employees;
- The borrower is deceased;
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral;
- A material decrease in the borrower's turnover or the loss of a major customer;
- A covenant breach not waived by the Bank;
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection; and
- Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties.

More details on the determination of a significant increase in credit risk are provided in Note 4.1.1.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of financial assets (continued)

Measuring ECL – Explanation of inputs, assupmtions and estimation techniques

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.

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

PD – the probability at a point in time that a counterparty will default, calibrated over up to 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating the impact of forward-looking economic assumptions that have an effect on credit risk, such as interest rates, unemployment rates and GDP forecasts.The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

EAD – the expected balance sheet exposure at the time of default, 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 that is expected to arise on default which represents 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of financial assets (continued)

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note 4.1.1 for an explanation of forward- looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on an annual basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Definition of default

IFRS 9 does not define default but requires the definition to be consistent with the definition used for internal credit risk management purposes. However, IFRS 9 contains a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due.

The Bank 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:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event, 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.

The Bank's write-off policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written 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.

(i) Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of impairment include:

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of financial assets (continued)

(i) Assets carried at amortised cost (continued)

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payment; Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of Bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

(l) 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 recognised 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.

(m) Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. The Group renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default.

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. A loan will remain at its original stage until it meets the criterias of cure as described in Note 2(n).

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Modification of financial assets (continued)

The table below shows financial assets which were modified during the period with the related modification loss suffered by the Bank;

(Amount in TZS' Million)

	2019	2018
Amortised costs of financial assets modified during the period	**69,463**	**223,490**
Net modification loss	**(5,732)**	**(13,601)**

(n) Cure of non-performing financial assets including restructured loans

An instrument is considered to no longer be SICR or in default (i.e. to have cured) when it has been established that the obligor is able to meet the requirements of the agreed terms and conditions. IFRS 9 allows credit exposures to migrate from higher credit risk categories to lower credit risk categories, that is, from stage 3 to stage 2 and from stage 2 to stage 1.

Under migration from stage 3 to stage 2, the 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 2019.

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.

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, interest income is calculated on carrying amount of the asset at the beginning of the period before allowance for ECLs using effective interest rate. The carrying amount amount of the exposure shall be the amortised cost at the end of the period less allowance for ECL computed.

For credit exposures that have shifted from stage 3 to stage 2, objective evidence of impairment still exists and accordingly interest income is computed on carrying amount of the asset at the beginning of the period after allowance for ECLs using effective interest rate. The carrying amount amount of the exposure shall be the amortised cost at the end of the period less allowance for ECL computed.

(o) Financial liabilities

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when extinguished. Such financial liabilities include deposits from banks or customers, other liabilities, subordinate debts and borrowings.

(p) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Derecognition of financial assets and liabilities (continued)

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 derecognised when they have been redeemed or otherwise extinguished.

(q) 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.

(r) Income tax

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.

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.

(s) 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.

(t) Property and equipment, motor vehicles, and mobile branches

Upon initial recognition motor vehicles 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Property and equipment, motor vehicles, and mobile branches (continued)

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
Others	5 - 20 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 derecognised 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 recognised in profit or loss.

When revalued assets are sold, the amounts included in revaluation surplus relating to those assets are transferred to retained earnings.

(u) 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).

(v) 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 banks, Investment securities and amounts due from other Banks. Cash and cash equivalents excludes the cash reserve requirement held with Central Banks.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Employee benefits

(i) Retirement benefit obligations

The Group's contributions in respect of retirement benefit costs are charged to profit or loss in the year to which they relate. The Group makes contributions to various Social Security Pension Funds, which are statutory 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.

(ii) Other entitlements

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.

(x) 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.

(y) 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%.

(z) 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.

(aa) 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.

(ab) Grants

Grants relating to costs are deferred and recognised 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 non-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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Leases

Accounting policies applicable in current period under IFRS 16

The Group assesses 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

Until the 2019 financial year, leases of office space were classified as operating leases. From 1 January 2019, leases are recognised 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.

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, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the 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, eg 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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Leases (continued)

Accounting policies applicable in current period under IFRS 16 (continued)

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.

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 2(l) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Leases (continued)

Accounting policies applicable in current period under IFRS 16 (continued)

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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 recognition exemption to leases of office equipment 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.

Accounting policies applicable in prior period under IAS 17

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Determination

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(ad) 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.

Financial guarantees

Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of profit or loss, and an ECL allowance as set out in Note 23. The premium received is recognised in statement of profit or loss in Fees and commission income on a straight-line basis over the life of the guarantee.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ad) Contingencies and commitments (continued)

Undrawn loan commitments, acceptances and letters of credit

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. The nominal values of these instruments together with the corresponding ECL are disclosed in Note 23.

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

(ae) 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 3.

3 SEGMENT REPORTING

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.

Primary segment information - Business Segments

The following tables presents profit and loss and assets and liability information regarding the Group's and Bank's business segments for the years ended 31 December 2019 and 31 December 2018.

3 SEGMENT REPORTING (CONTINUED)

GROUP Year ended 31 December 2019	Corporate Banking TZS' Million	Retail Banking TZS' Million	Treasury TZS' Million	Total TZS' Million
External Operating income				
Interest Income	158,203	321,439	180,755	660,397
Interest Expense	(31,916)	(52,508)	(31,884)	(116,308)
Internal net interest income/ (expense)	20,418	23,893	(44,311)	-
Net interest income	146,705	292,824	104,560	544,089
Impairment of financial assets	(85,234)	(5,663)	(606)	(91,503)
Net Interest income after Impairment of financial assets	61,471	287,161	103,954	452,586
Fee and Commission income	54,526	127,020	978	182,524
Fee and Commission expense	(7,547)	(18,501)	-	(26,048)
Net Fee and Commission income	46,979	108,519	978	156,476
Foreign exchange income	-	-	38,660	38,660
Income from security trading	-	-	6,313	6,313
Other operating income	-	2,132	-	2,132
General and Administrative Expense	(44,595)	(98,993)	(18,316)	(161,904)
Depreciation and amortisation	(11,949)	(37,367)	(9,745)	(59,061)
Employee benefit expenses	(37,701)	(174,640)	(48,176)	(260,517)
Profit Before Tax	14,205	86,812	73,668	174,685
Income Tax Expense	(4,435)	(27,104)	(23,001)	(54,540)
Profit for the year	9,770	59,708	50,667	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)

3 SEGMENT REPORTING (CONTINUED)

GROUP Year ended 31 December 2018	Corporate Banking TZS' Million	Retail Banking TZS' Million	Treasury TZS' Million	Total TZS' Million
External Operating income				
Interest Income	140,128	304,170	167,691	611,989
Interest Expense	(52,287)	(45,179)	(45,978)	(143,444)
Internal net interest income/ (expense)	40,210	11,553	(51,763)	-
Net interest income	128,051	270,544	69,950	468,545
Impairment of financial assets	(82,594)	(32,892)	817	(114,669)
Net Interest income after Impairment of financial assets	45,457	237,652	70,767	353,876
Fee and Commission income	62,596	84,901	-	147,497
Fee and Commission expense	(6,104)	(13,329)	-	(19,433)
Net Fee and Commission income	56,492	71,572	-	128,064
Foreign exchange income	18	5	31,303	31,326
Income from security trading	-	-	11,698	11,698
Other operating income	-	3,033	-	3,033
General and Administrative Expense	(44,039)	(109,918)	(21,125)	(175,082)
Depreciation and amortisation	(12,483)	(30,558)	(240)	(43,281)
Employee benefit expenses	(32,865)	(150,230)	(27,422)	(210,517)
Profit Before Tax	12,580	21,556	64,981	99,117
Income Tax Expense	(3,381)	(8,668)	(22,936)	(34,985)
Profit for the year	9,199	12,888	42,045	64,132
Asset and Liability				
Segment assets	1,414,030	1,899,348	1,380,316	4,693,694
Asset Additions	27,750	42,955	35,415	106,120
Unallocated Asset	-	-	-	1,235,573
Total Assets	1,441,780	1,942,303	1,415,731	6,035,387
Segment liabilities	(2,322,435)	(2,374,701)	(430,655)	(5,127,791)
Unallocated liabilities	-	-	-	(133,976)
Total Liabilities	(2,322,435)	(2,374,701)	(430,655)	(5,261,767)

3 SEGMENT REPORTING (CONTINUED)

BANK Year ended 31 December 2019	Corporate Banking TZS' Million	Retail Banking TZS' Million	Treasury TZS' Million	Total TZS' Million
External Operating income				
Interest income	161,186	307,437	172,181	640,804
Interest expense	(31,916)	(48,048)	(31,599)	(111,563)
Internal net interest income/(expense)	20,676	24,195	(44,871)	-
Net interest income	149,946	283,584	95,711	529,241
Impairment of financial assets	(85,234)	(5,647)	(606)	(91,487)
Net Interest income after Impairment of financial assets	64,712	277,937	95,105	437,754
Fee and commission income	52,955	118,902	978	172,835
Fee and commission expense	(7,647)	(18,057)	-	(25,704)
Net fee and commission income	45,308	100,845	978	147,131
Foreign exchange income	-	-	37,860	37,861
Income from Security Trading	-	-	6,313	6,313
Other operating income	-	8,606	-	8,606
General and administrative expense	(40,237)	(94,507)	(18,409)	(153,153)
Employee benefit expenses	(11,869)	(35,942)	(9,635)	(57,446)
Depreciation and amortisation	(40,770)	(164,453)	(46,905)	(252,128)
Profit before tax	17,144	92,486	65,307	174,938
Income tax expense	(5,192)	(27,646)	(19,454)	(52,292)
Profit for the year	11,952	64,840	45,853	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)

3 SEGMENT REPORTING (CONTINUED)

BANK Year ended 31 December 2018	Corporate Banking TZS' Million	Retail Banking TZS' Million	Treasury TZS' Million	Total TZS' Million
External Operating income				
Interest income	147,125	283,568	162,217	592,910
Interest expense	(52,288)	(40,363)	(43,153)	(135,804)
Internal net interest income/ (expense)	33,215	9,053	(42,268)	-
Net interest income	128,052	252,258	76,796	457,106
Impairment of financial assets	(82,594)	(32,588)	817	(114,365)
Net Interest income after Impairment of financial assets	45,458	219,670	77,613	342,741
Fee and commission income	50,628	90,473	-	141,101
Fee and commission expense	(7,622)	(17,726)	-	(25,348)
Net fee and commission income	43,006	72,747	-	115,753
Foreign exchange income	18	5	30,405	30,428
Income from Security Trading	-	-	11,698	11,698
Other operating income	-	1,178	-	1,178
General and administrative expense	(41,432)	(99,589)	(19,977)	(160,998)
Employee benefit expenses	(12,296)	(29,319)	(238)	(41,853)
Depreciation and amortisation	(31,163)	(137,974)	(26,019)	(195,156)
Profit before tax	3,591	26,718	73,482	103,791
Income tax expense	(1,214)	(8,775)	(24,214)	(34,203)
Profit for the year	2,377	17,943	49,268	69,588
Asset and liability				
Segment assets	1,311,496	1,815,237	1,464,463	4,591,196
Assets additions	-	-	-	105,101
Unallocated assets	-	-	-	1,214,121
Total assets	1,311,496	1,815,237	1,464,463	5,910,419
Segment liabilities	(2,339,277)	(2,253,727)	(430,656)	(5,023,660)
Unallocated liabilities	-	-	-	(142,290)
Total liabilities	(2,339,277)	(2,253,727)	(430,656)	(5,165,950)

3 SEGMENT REPORTING (CONTINUED)

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:

Year ended 31 December 2019	Tanzania TZS' Million	Burundi TZS' Million	Consolidation TZS' Million	Total TZS' Million
External operating income				
Interest income	640,804	23,921	(4,328)	660,397
Interest expense	(111,563)	(9,073)	4,328	(116,308)
Net interest income	529,241	14,848	-	544,089
Impairment of financial assets	(91,366)	(137)	-	(91,503)
Net Interest income after Impairment of financial assets	437,875	14,711	-	452,586
Fee and commission income	178,856	3,668	-	182,524
Fee and commission expense	(25,305)	(743)	-	(26,048)
Net Fee and commission income	153,551	2,925	-	156,476
Foreign exchange income	37,860	800	-	38,660
Income from security trading	6,313	-	-	6,313
Other operating income	2,132	-	-	2,132
General and administrative expense	(157,141)	(4,763)	-	(161,904)
Employee benefit expenses	(57,877)	(1,184)	-	(59,061)
Depreciation and amortisation	(254,835)	(5,682)	-	(260,517)
Profit before tax	167,878	6,807	-	174,685
Income tax expense	(54,004)	(536)	-	(54,540)
Profit for the year	113,874	6,271	-	120,145
Asset and liability				
Segment assets	6,396,415	258,006	(97,257)	6,557,164
Assets additions	39,911	173	-	40,513
Total assets	6,436,326	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)

3 SEGMENT REPORTING (CONTINUED)

Year ended 31 December 2018	Tanzania TZS' Million	Burundi TZS' Million	Consolidation TZS' Million	Total TZS' Million
External operating income				
Interest income	567,431	19,800	(943)	586,288
Interest expense	(135,804)	(8,583)	943	(143,444)
Net interest income	431,627	11,217	-	442,844
Impairment of financial assets	(114,365)	(304)	-	(114,669)
Net Interest income after Impairment of financial assets	317,262	10,913	-	328,175
Fee and commission income	172,082	1,116	-	173,198
Fee and commission expense	(19,272)	(161)	-	(19,433)
Net Fee and commission income	152,810	955	-	153,765
Foreign exchange income	30,428	898	-	31,326
Income from security trading	11,698	-	-	11,698
Other operating income	3,033	-	-	3,033
General and administrative expense	(170,432)	(4,650)	-	(175,082)
Employee benefit expenses	(42,336)	(945)	-	(43,281)
Depreciation and amortisation	(205,617)	(4,900)	-	(210,517)
Profit before tax	96,846	2,271	-	99,117
Income tax expense	(34,679)	(306)	-	(34,985)
Profit for the year	62,167	1,965	-	64,132
Asset and liability				
Segment assets	5,834,719	205,833	(111,286)	5,929,267
Assets additions	105,940	180	-	106,120
Total assets	5,940,659	206,013	(111,286)	6,035,387
Segment liabilities	(4,990,617)	(182,275)	(88,875)	(5,261,767)
Total liabilities	(4,990,617)	(182,275)	(88,875)	(5,261,767)

3 SEGMENT REPORTING (CONTINUED)

Cash flows from operating, investing and financing activities for the geographical segments are as follows:

	Tanzania TZS' Million	Burundi TZS' Million	Total TZS' Million
Year ended 31 December 2019			
Net cash from operating activities	**273,636**	**(9,734)**	**263,902**
Net cash used in investing activities	**(38,713)**	**(1,497)**	**(40,210)**
Net cash used in financing activities	**(188,539)**	**10,255**	**(178,284)**
Net increase in cash and cash equivalents	**46,384**	**(976)**	**45,408**
Cash and cash equivalents at 1 January	**684,189**	**19,462**	**703,651**
Effect of exchange rate change in cash and cash equivalent	**19,461**	**(21,422)**	**(1,961)**
Cash and cash equivalent at 31 December	**750,034**	**(2,936)**	**747,098**
Year ended 31 December 2018			
Net cash from operating activities	59,584	(42,200)	17,384
Net cash used in investing activities	(105,709)	(180)	(105,889)
Net cash used in financing activities	(297,988)	38,230	(259,758)
Net increase in cash and cash equivalents	(344,113)	(4,150)	(381,603)
Cash and cash equivalents at 1 January	1,045,064	23,428	1,068,492
Effect of exchange rate change in cash and cash equivalent	(16,578)	184	16,762
Cash and cash equivalent at 31 December	684,373	19,462	703,651

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, Government Securities and amounts due to other 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. Currently it is not possible to segregate revenues from external customers for each product and service as the information is not available.

4 FINANCIAL RISK MANAGEMENT

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

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

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. The policies are integrated in the overall management information systems of the Group and supplemented by a management reporting structure.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered, and emerging best practice.

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 most important type of risks are:
- Credit risk
- Liquidity risk
- Market risk

The notes below provide detailed information on each of the above risks and the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

4.1 Credit risk

The Group and the Bank take on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Group and the Bank by failing to discharge an obligation. Credit risk is one of the most important risks for the Group's and the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from lending activities that lead to loans and advances, investment activities that bring debt securities and other bills in the Group's and Bank's asset portfolio. 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.

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the Group and Bank reflect two components (i) the 'probability of default' by the client or counterparty on its contractual obligations and (ii) current exposures to the counterparty and its likely future development, from which the Group derives the 'exposure at default'. These credit risk measurements, which reflect expected loss (the 'expected credit loss model'), are embedded in the daily operational management and are in line with IFRS 9.

The Group uses reasonable and supportable forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. External and internal information is used to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.1 Credit risk measurement (continued)

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The key drivers of credit risks and credit losses for each portfolio of financial instruments were identified and documented, and using a statistical analysis of historical data to estimate relationships between macro-economic variables and credit risk and credit losses.

Group's internal ratings scale

The Group and Bank has its internal credit rating tools tailored in accordance with the Bank of Tanzania (BoT) guidelines. 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	Number of days outstanding	
		Micro loans	Other loans
1	Current	0	0-30
2	Especially Mentioned	1-30	31-90
3	Sub-standard	31-60	91-180
4	Doubtful	61-90	181-360
5	Loss	91 or more	361-Above

For internal monitoring of balances with other 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	Staging
Defaulted	3 - 5	Stage 3
High	2.51 - 3	Stage 2
Medium	1.51 – 2.5	Stage 1
Low	1 - 1.51	Stage 1

The Bank's balances with other banks as at 31 December 2019, are all of low risk.

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'.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.1 Credit risk measurement (continued)

4.1.1.1 Significant increase in credit risk

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).

The Bank considers a debt instrument assets, 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

(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. 0 – 30 days to be classified as Stage 1; Loans and advances, loan commitments and financial guarantees which are performing acording 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 recognised.
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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.1 Credit risk measurement (continued)

4.1.1.1 Significant increase in credit risk (continued)

Loans and advances to customers (continued)

(ii) Qualitative criteria (continued)

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.

Balances due from other banks

Below are qualitative factors considered as indicators of significant increase in credit risk;

- Significant counterparty management restructuring due to continues 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 its debt obligations.
- Significant reductions in financial support from a parent company that resulted to significant adverse change of operating results of the counterparty.

Government securities

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.

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 e.t.c. 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 criterias except for any known qualitative criterias.

4.1.1.2 Definition of default and credit-impaired assets

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

Loans and advances to customers

Quantitative criteria

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.1 Credit risk measurement (continued)

4.1.1.2 Definition of default and credit-impaired assets (continued)

Loans and advances to customers (continued)

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.

Balances due from other banks

For balances from other 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 licence has been revoked by the Central bank
- When the counterparty is declared bankrupt by responsible bodies like Registration, Insolvency or court.

Government securities

For Government securities, 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.

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.

4.1.1.3 Forward looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and 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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.1 Credit risk measurement (continued)

4.1.1.3 Forward looking information incorporated in the ECL models (continued)

In addition to the base economic scenario, the Group's economics team also provide 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.

4.1.1.4 Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2019 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

	2019	2020	2021
Domestic GDP			
Base	**5.20**	**5.10**	**5.50**
Upside	**5.46**	**5.56**	**5.78**
Downside	**4.94**	**4.85**	**5.23**

The most significant period-end assumptions used for the ECL estimate as at 1 January 2019 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

	2018	2019	2020
Domestic GDP			
Base	5.50	5.20	5.01
Upside	5.78	5.46	5.56
Downside	5.22	4.94	4.85

The weightings assigned to each economic scenario at 1 January 2019 and 31 December 2019 was 80%, 10% and 10% for "base", "upside" and "downside" respectively.

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 aminimun period ot two consecutive quarters; and
- in the case of term loans, the obligor has timely paid four consecutive instalments.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.1 Credit risk measurement (continued)

4.1.1.4 Economic variable assumptions (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 is being be used in determining whether an exposure shoud 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 factors that caused significant increase of the credit risk.

Upgrade from stage 2 to stage 1 is being monitoring 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.

If the GDP had changed by 10% expected loss allowance would have been as follows:

Sensitivity Analysis	Expected loss allowance	
	Higher end TZS Millions	Lower end TZS Millions
Year ended 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**
Year ended 31 December 2018		
Corporate	97,025	97,432
SME	12,504	12,556
Microfinance	265	266
Mortgage	1,193	1,198
Personal loans	49,448	49,655
Off-balance sheet exposures	113	114
Total expected loss allowance	**160,548**	**161,221**

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

4.1.2 Risk limit control and mitigation policies

The Group and Bank manage limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties, groups, and industries. The Group and Bank structure the levels of credit risk they undertake by placing limits on the amount of risk accepted in relation to one borrower, or Groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.2 Risk limit control and mitigation policies (continued)

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.

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.

(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) Lending limits (for derivatives and settlement risk)

The Group and Bank maintain strict control limits on net derivative positions (i.e difference between purchases and sales contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group and Bank (i.e assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits have been established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.3 Impairment and provisioning policies

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

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- 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 2 (k) provides more detail of how the expected credit loss allowance is measured.

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

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 (Amounts are in TZS' Million)

Group Credit exposures	2019	%	2018	%
On Balance sheet item:				
Balances with Central Bank	**430,219**	**6**	389,567	7
Loans and advances to banks	**323,677**	**4**	345,698	6
Government securities	**1,412,843**	**19**	1,238,083	21
Corporate Bonds	**4,520**	**0**	3,516	0
Loans and advances to customers (Gross)				
- Corporate	**1,388,946**	**19**	1,257,656	21
- SME	**468,208**	**5**	408,608	7
- Microfinance	**38,902**	**1**	54,892	1
- Mortgage	**42,386**	**1**	40,369	1
- Personal	**1,602,653**	**22**	1,365,208	23
Other assets*	**97,840**	**1**	52,519	1
	5,810,194	**78**	5,156,116	88
Off balance sheet items:				
Guarantees and indemnities	**1,218,686**	**17**	452,211	8
Letters of credit	**187,598**	**3**	146,779	3
Commitments to extend credit	**164,623**	**2**	97,972	2
	1,570,907	**22**	696,962	12
	7,381,101	**100**	5,853,078	100

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

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

Bank (Amounts are in TZS' Million)

Bank Credit exposures	2019	%	2018	%
On Balance sheet item:				
Balances with Central Bank	**424,121**	**6**	382,268	7
Loans and advances to banks	**346,776**	**5**	362,353	6
Government securities	**1,281,392**	**18**	1,181,132	21
Corporate Bonds	**4,520**	**0**	3,516	0
Loans and advances to customers (Gross)				
- Corporate	**1,379,171**	**19**	1,250,548	22
- SME	**467,026**	**6**	406,581	7
- Microfinance	**33,254**	**0**	47,930	1
- Mortgage	**36,219**	**1**	40,367	1
- Personal	**1,568,578**	**22**	1,316,118	23
Other assets*	**98,473**	**1**	51,329	1
	5,639,530	**78**	5,042,142	88
Off balance sheet items:				
Guarantees and indemnities	**1,218,357**	**17**	450,337	8
Letters of credit	**187,598**	**3**	146,779	3
Commitments to extend credit	**160,798**	**2**	97,972	1
	1,566,753	**22**	695,088	12
	7,206,283	**100**	5,737,230	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 71% (2018: 65%) of the total credit exposure. The directors are confident in the ability to continue to minimize the credit risk to the Group and Bank.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.4 Maximum exposure to credit risk before collateral held or 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

	Name of Bank	Country	2019 TZS' Million	2018 TZS' Million
1	CitiBank	USA	**27,118**	123,153
2	DZ Bank	Germany	**26,094**	55,558
3	StanChart London	UK	**25,098**	23,964
4	Lloyds Bank	UK	**13,976**	14,898
5	Stanbic SA	SA	**11,491**	11,502
6	Commerzbank	Germany	**20,524**	3,016
7	Kenya Commercial Bank	Tanzania	**35,000**	18,388
8	Stanbic Bank	Tanzania	**20,000**	-
9	Standard Chartered	Tanzania	**22,982**	-
10	Tanzania Investment Bank	Tanzania	**17,466**	-
11	United Bank of Africa	Tanzania	**19,261**	3,218
12	MCB Mauritius	Mauritius	**-**	11,493
13	Others		**107,766**	97,163
			346,776	362,353

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.

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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances

Loans and advances based on internal rating are summarised as follows:

GROUP	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
Internal rating grade				
As at 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**
As at 31 December 2018				
Current	3,027,465	-	-	3,027,465
Especially mentioned	-	63,982	-	63,982
Sub-standard	-	-	37,291	37,291
Doubtful	-	-	20,283	20,283
Loss	-	-	164,357	164,357
Gross Carrying amount	3,027,465	63,982	221,931	3,313,378
ECL allowance	(59,001)	(6,761)	(120,883)	(186,645)

Net Loans and advances to customers	2,968,464	57,221	101,048	3,126,733

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

Loans and advances based on internal rating are summarised as follows:

BANK	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
Internal rating grade				
As at 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**
As at 31 December 2018				
Current	2,963,711	-	-	2,963,711
Especially mentioned	-	62,839	-	62,839
Sub-standard	-	-	37,163	37,163
Doubtful	-	-	20,155	20,155
Loss	-	-	164,101	164,101
Gross Carrying amount	2,963,711	62,839	221,419	3,247,969
ECL allowance	(58,824)	(6,752)	(120,849)	(186,425)
Net Loans and advances to customers	2,904,887	56,087	100,570	3,061,544

The total impairment provision for loans and advances represents both individually impaired loans and loans assessed on a portfolio basis.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

Corporate lending

An analysis of Loans and advances based on internal rating in relation to Corporate lending is, as follows:

As at 31 December	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total 2019 TZS' Million	Total 2018 TZS' Million
Internal rating grade					
GROUP					
Current	**1,169,262**	**-**	**-**	**1,169,262**	1,174,101
Especially mentioned	**-**	**86,535**	**-**	**86,535**	29,028
Sub-standard	**-**	**-**	**60,334**	**60,334**	15,042
Doubtful	**-**	**-**	**19,387**	**19,387**	3,536
Loss	**-**	**-**	**53,428**	**53,428**	136,254
Gross Carrying amount	**1,169,262**	**86,535**	**133,149**	**1,388,946**	1,357,961
ECL allowance	**(17,060)**	**(6,270)**	**(71,926)**	**(95,256)**	(100,305)
Net Loans and advances to customers	**1,152,202**	**80,265**	**61,223**	**1,293,690**	1,257,656
BANK					
Current	**1,159,951**	**-**	**-**	**1,159,951**	1,149,494
Especially mentioned	**-**	**86,118**	**-**	**86,118**	44,162
Sub-standard	**-**	**-**	**60,326**	**60,326**	15,771
Doubtful	**-**	**-**	**19,368**	**19,368**	3,948
Loss	**-**	**-**	**53,408**	**53,408**	137,380
Gross Carrying amount	**1,159,951**	**86,118**	**133,102**	**1,379,171**	1,350,755
ECL allowance	**(16,972)**	**(6,270)**	**(71,706)**	**(94,948)**	(100,207)
Net Loans and advances to customers	**1,142,979**	**79,848**	**61,396**	**1,284,223**	1,250,548

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

SME lending

An analysis of Loans and advances based on internal rating in relation to SME lending is, as follows:

As at 31 December	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total 2019 TZS' Million	Total 2018 TZS' Million
Internal rating grade					
GROUP					
Current	**401,941**	**-**	**-**	**401,941**	382,077
Especially mentioned	**-**	**29,246**	**-**	**29,246**	8,283
Sub-standard	**-**	**-**	**12,553**	**12,553**	8,344
Doubtful	**-**	**-**	**7,652**	**7,652**	6,333
Loss	**-**	**-**	**16,816**	**16,816**	11,204
Gross Carrying amount	**401,941**	**29,246**	**37,021**	**468,208**	416,241
ECL allowance	**(1,589)**	**(822)**	**(10,192)**	**(12,603)**	(7,633)
Net Loans and advances to customers	**400,352**	**28,424**	**26,829**	**455,605**	408,608
BANK					
Current	**400,924**	**-**	**-**	**400,924**	382,085
Especially mentioned	**-**	**29,246**	**-**	**29,246**	8,146
Sub-standard	**-**	**-**	**12,400**	**12,400**	7,922
Doubtful	**-**	**-**	**7,640**	**7,640**	6,053
Loss	**-**	**-**	**16,816**	**16,816**	10,008
Gross Carrying amount	**400,924**	**29,246**	**36,856**	**467,026**	414,214
ECL allowance	**(1,578)**	**(825)**	**(10,191)**	**(12,594)**	(7,633)
Net Loans and advances to customers	**399,346**	**28,421**	**26,665**	**454,432**	406,581

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

Microfinance lending

An analysis of Loans and advances based on internal rating in relation to Microfinance lending is, as follows:

As at 31 December	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total 2019 TZS' Million	Total 2018 TZS' Million
Internal rating grade					
GROUP					
Current	**38,441**	**-**	**-**	**38,441**	54,368
Especially mentioned	**-**	**298**	**-**	**298**	1,064
Sub-standard	**-**	**-**	**6**	**6**	1,215
Doubtful	**-**	**-**	**32**	**32**	745
Loss	**-**	**-**	**125**	**125**	10,662
Gross Carrying amount	**38,441**	**298**	**163**	**38,902**	68,054
ECL allowance	**(420)**	**(7)**	**(5)**	**(432)**	(13,162)
Net Loans and advances to customers	**38,021**	**291**	**158**	**38,470**	54,892
BANK					
Current	**32,794**	**-**	**-**	**32,794**	47,566
Especially mentioned	**-**	**298**	**-**	**298**	1,064
Sub-standard	**-**	**-**	**5**	**5**	1,215
Doubtful	**-**	**-**	**32**	**32**	578
Loss	**-**	**-**	**125**	**125**	10,662
Gross Carrying amount	**32,794**	**298**	**162**	**33,254**	61,085
ECL allowance	**(258)**	**(2)**	**(5)**	**(265)**	(13,155)
Net Loans and advances to customers	**32,536**	**296**	**157**	**32,989**	47,930

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

Mortgage lending

An analysis of Loans and advances based on internal rating in relation to Mortgage lending is, as follows:

As at 31 December	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total 2019 TZS' Million	Total 2018 TZS' Million
Internal rating grade					
GROUP					
Current	**37,308**	**-**	**-**	**37,308**	37,729
Especially mentioned	**-**	**1,427**	**-**	**1,427**	1,971
Sub-standard	**-**	**-**	**1,413**	**1,413**	462
Doubtful	**-**	**-**	**1,699**	**1,699**	114
Loss	**-**	**-**	**539**	**539**	328
Gross Carrying amount	**37,308**	**1,427**	**3,651**	**42,386**	40,604
ECL allowance	**(118)**	**(77)**	**(1,047)**	**(1,242)**	(235)
Net Loans and advances to customers	**37,190**	**1,350**	**2,604**	**41,144**	40,369
BANK					
Current	**31,141**	**-**	**-**	**31,141**	37,726
Especially mentioned	**-**	**1,427**	**-**	**1,427**	1,971
Sub-standard	**-**	**-**	**1,413**	**1,413**	462
Doubtful	**-**	**-**	**1,699**	**1,699**	114
Loss	**-**	**-**	**539**	**539**	328
Gross Carrying amount	**31,141**	**1,427**	**3,651**	**36,219**	40,601
ECL allowance	**(118)**	**(77)**	**(1,047)**	**(1,242)**	(234)
Net Loans and advances to customers	**31,023**	**1,350**	**2,604**	**34,977**	40,367

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

Personal lending

An analysis of Loans and advances based on internal rating in relation to Personal lending is, as follows:

As at 31 December	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total 2019 TZS' Million	Total 2018 TZS' Million
Internal rating grade					
GROUP					
Current	**1,564,254**	**-**	**-**	**1,564,254**	1,379,190
Especially mentioned	**-**	**11,806**	**-**	**11,806**	23,636
Sub-standard	**-**	**-**	**9,151**	**9,151**	12,228
Doubtful	**-**	**-**	**7,890**	**7,890**	9,555
Loss	**-**	**-**	**9,552**	**9,552**	5,909
Gross Carrying amount	**1,564,254**	**11,806**	**26,593**	**1,602,653**	1,430,518
ECL allowance	**(27,259)**	**(3,528)**	**(18,751)**	**(49,538)**	(65,310)
Net Loans and advances to customers	**1,536,995**	**8,278**	**7,842**	**1,553,115**	1,365,208
BANK					
Current	**1,530,836**	**-**	**-**	**1,530,836**	1,346,836
Especially mentioned	**-**	**11,806**	**-**	**11,806**	7,496
Sub-standard	**-**	**-**	**8,728**	**8,728**	11,794
Doubtful	**-**	**-**	**7,691**	**7,691**	9,463
Loss	**-**	**-**	**9,517**	**9,517**	5,725
Gross Carrying amount	**1,530,836**	**11,806**	**25,936**	**1,568,578**	1,381,314
ECL allowance	**(27,332)**	**(3,527)**	**(18,727)**	**(49,586)**	(65,196)
Net Loans and advances to customers	**1,503,504**	**8,279**	**7,209**	**1,518,992**	1,316,118

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

An analysis of changes in the gross carrying amount for the Group is, as follows:

GROUP Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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	**577,066**	**942**	**1,890**	**579,898**
Financial assets that have been derecognized	**(272,391)**	**(4,738)**	**49,878**	**(227,251)**
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**
Gross carrying amount as at 1 January 2018	2,624,965	49,555	449,977	3,147,497
Changes in the gross carrying amount				
- Transfer to stage 1	80,754	(24,683)	(56,071)	-
- Transfer to stage 2	(54,371)	63,993	(9,622)	-
- Transfer to stage 3	(84,392)	(8,626)	93,018	-
New financial assets originated or purchased	911,179	8,959	14,917	934,332
Financial assets that have been derecognized	(430,830)	(21,570)	(120,751)	(572,428)
Write-offs	(19,840)	(3,646)	(149,537)	(173,023)
Gross carrying amount as at 31 December 2018	3,027,465	63,982	221,931	3,313,378
Loss allowance as at 31 December 2018	59,001	6,761	120,883	186,645

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (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 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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**
Loss allowance as at 1 January 2018	30,709	7,313	213,981	252,003
Changes in the loss allowance				
- Transfer to stage 1	24,525	(4,598)	(19,927)	-
- Transfer to stage 2	(990)	1,669	(679)	-
- Transfer to stage 3	(1,774)	(922)	2,696	-
- Write-offs	-	-	-	-
New financial assets originated or purchased	18,944	2,286	4,604	25,834
Financial assets that have been derecognised	(6,935)	(1,596)	(104,589)	(113,120)
Unwind discount	7,111	269	10,928	18,308
Impact on ECL Transfers	(4,880)	2,616	28,479	26,215
Changes in models/risk parameters	13,916	(4,126)	(32,303)	(22,513)
Foreign exchange and other movements	(21,625)	3,850	17,693	(82)
Loss allowance as at 31 December 2018	59,001	6,761	120,883	186,645

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances for the Bank is, as follows:

BANK Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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	**518,478**	**3,350**	**2,447**	**524,275**
Financial assets that have been derecognized	**(209,234)**	**(4,459)**	**50,305**	**(163,388)**
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**
Gross carrying amount as at 1 January 2018	2,576,224	49,148	449,840	3,075,212
Changes in the gross carrying amount				
– Transfer to stage 1	80,583	(24,512)	(56,071)	-
– Transfer to stage 2	(53,419)	63,042	(9,622)	-
– Transfer to stage 3	(84,100)	(8,558)	92,658	-
New financial assets originated or purchased	826,350	(313)	96,139	922,177
Financial assets that have been derecognized	(362,087)	(12,322)	(202,306)	(576,715)
Write-offs	(19,840)	(3,646)	(149,219)	(172,705)
Gross carrying amount as at 31 December 2018	2,963,711	62,839	221,419	3,247,969
Loss allowance as at 31 December 2018	58,824	6,752	120,849	186,425

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (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 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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**	**-**
– Write-offs	**-**	**-**	**(45,610)**	**(45,610)**
New financial assets originated or purchased	**5,903**	**504**	**1,105**	**7,512**
Financial assets that have been derecognised	**(6,338)**	**(511)**	**(72,149)**	**(78,998)**
Unwind discount	**8,781**	**503**	**4,454**	**13,738**
Impact on ECL Transfers	**(28,524)**	**7,114**	**49,074**	**27,664**
Changes in models/risk parameters	**3,260**	**(784)**	**45,428**	**47,904**
Loss allowance as at 31 December 2019	**46,258**	**10,701**	**101,676**	**158,635**
Loss allowance as at 1 January 2018	30,520	7,302	213,949	251,771
Changes in the loss allowance				
– Transfer to stage 1	24,519	(4,592)	(19,927)	-
– Transfer to stage 2	(987)	1,666	(679)	-
– Transfer to stage 3	(1,775)	(919)	2,694	-
New financial assets originated or purchased	19,026	2,284	4,597	25,907
Financial assets that have been derecognised	(6,918)	(1,594)	(104,557)	(113,069)
Unwind discount	7,102	268	10,928	18,298
Impact on ECL Transfers	(4,876)	2,611	28,453	26,188
Changes in models/risk parameters	13,922	(4,119)	(32,304)	(22,501)
Foreign exchange and other movements	(21,709)	3,845	17,695	(169)
Loss allowance as at 31 December 2018	58,824	6,752	120,849	186,425

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

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 2019 was TZS 124,930 million (2018: TZS 173,023 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.

Analysis of loans and advances to customers by the Group and their related collateral held in order to mitigate potential losses are shown below:

GROUP	Gross exposure TZS' Million	Impairment allowance TZS' Million	Carrying amount TZS' Million	Fair Value of collateral held TZS' Million
31 December 2019				
Corporate	**1,388,946**	**(95,256)**	**1,293,690**	**2,794,347**
SME	**468,208**	**(12,603)**	**455,605**	**1,214,614**
Microfinance	**38,902**	**(432)**	**38,470**	**79,141**
Mortgage	**42,386**	**(1,242)**	**41,144**	**75,344**
Personal loans	**1,602,653**	**(49,538)**	**1,553,115**	**94,694**
Total	**3,541,095**	**159,071**	**3,382,024**	**4,258,140**
31 December 2018				
Corporate	1,357,961	(100,305)	1,257,656	2,715,375
SME	416,241	(7,633)	408,608	759,303
Microfinance	68,054	(13,162)	54,892	13,805
Mortgage	40,604	(235)	40,369	47,166
Personal loans	1,430,518	(65,310)	1,365,208	51,224
Total	3,313,378	(186,645)	3,126,733	3,586,873

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

Analysis of loans and advances to customers by the Bank and their related collateral held in order to mitigate potential losses are shown below:

BANK	Gross exposure TZS' Million	Impairment allowance TZS' Million	Carrying amount TZS' Million	Fair Value of collateral held TZS' Million
31 December 2019				
Corporate	**1,379,171**	**(94,948)**	**1,284,223**	**2,778,891**
SME	**467,026**	**(12,594)**	**454,432**	**1,214,182**
Microfinance	**33,254**	**(265)**	**32,989**	**79,004**
Mortgage	**36,219**	**(1,242)**	**34,977**	**75,344**
Personal loans	**1,568,578**	**(49,586)**	**1,518,992**	**87,429**
Total	**3,484,248**	**(158,635)**	**3,325,613**	**4,250,875**
31 December 2018				
Corporate	1,350,755	(100,207)	1,250,548	2,706,018
SME	414,214	(7,633)	406,581	756,668
Microfinance	61,085	(13,155)	47,930	13,451
Mortgage	40,601	(234)	40,367	47,166
Personal loans	1,381,314	(65,196)	1,316,118	49,550
Total	3,247,969	(186,425)	3,061,544	3,572,853

Analysis of collateral held on Credit-impaired assets (Stage 3) as at year end is, as follows:

Credit-impaired assets GROUP	Gross exposure TZS' Million	Impairment allowance TZS' Million	Carrying amount TZS' Million	Fair Value of collateral held TZS' Million
31 December 2019				
Corporate	**133,521**	**(71,925)**	**61,597**	**206,738**
SME	**36,856**	**(10,191)**	**26,665**	**81,920**
Microfinance	**162**	**(10)**	**152**	**625**
Mortgage	**3,651**	**(1,047)**	**2,604**	**5,435**
Personal loans	**26,387**	**(18,749)**	**7,638**	**3,011**
Total	**200,577**	**(101,921)**	**98,656**	**297,729**
31 December 2018				
Corporate	198,410	(88,908)	109,502	5,023
SME	28,311	(3,278)	25,033	34,722
Microfinance	12,490	(11,534)	956	1,262
Mortgage	628	(58)	570	1,591
Personal loans	27,665	(17,121)	10,544	1,163
Total	267,504	(120,899)	146,605	43,761

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

Analysis of collateral held on Credit-impaired assets (Stage 3) as at year end is, as follows:

Credit-impaired assets BANK	Gross exposure TZS' Million	Impairment allowance TZS' Million	Carrying amount TZS' Million	Fair Value of collateral held TZS' Million
31 December 2019				
Corporate	**133,101**	**(71,706)**	**61,396**	**206,323**
SME	**36,856**	**(10,191)**	**26,665**	**81,920**
Microfinance	**162**	**(10)**	**152**	**625**
Mortgage	**3,651**	**(1,047)**	**2,604**	**5,435**
Personal loans	**25,937**	**(18,722)**	**7,215**	**2,432**
Total	**199,707**	**(101,676)**	**98,031**	**296,735**
31 December 2018				
Corporate	198,410	(88,908)	109,502	5,023
SME	28,031	(3,277)	24,754	34,722
Microfinance	12,490	(11,534)	956	1,262
Mortgage	628	(58)	570	1,591
Personal loans	27,488	(17,071)	10,417	1,112
Total	267,047	(120,848)	146,199	43,710

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (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 Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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	**185,681**	**23**	**564**	**186,268**
Financial assets that have been derecognized	**(128,439)**	**4,737**	**60,809**	**(62,893)**
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**
Gross carrying amount as at 1 January 2018	1,197,757	12,340	355,969	1,566,066
Changes in the gross carrying amount				
– Transfer to stage 1	44,181	(5,363)	(38,818)	-
– Transfer to stage 2	(34,588)	41,418	(6,830)	-
– Transfer to stage 3	(20,264)	(2,926)	23,190	-
New financial assets originated or purchased	219,228	1,371	5,765	226,364
Financial assets that have been derecognized	(219,824)	(10,439)	(79,279)	(309,542)
Write-offs	(17,678)	(25)	(107,224)	(124,927)
Gross carrying amount as at 31 December 2018	1,168,812	36,376	152,773	1,357,961
Loss allowance as at 31 December 2018	11,464	163	88,678	100,305

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

Corporate lending (continued)

GROUP Loss allowances - Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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**
Financial assets that have been derecognized	**(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**
Loss allowance as at 1 January 2018	14,015	673	167,085	181,773
Changes in the loss allowance				
– Transfer to stage 1	11,123	(42)	(11,081)	-
– Transfer to stage 2	(771)	771	-	-
– Transfer to stage 3	(22)	(389)	411	-
New financial assets originated or purchased	2,124	5	1,035	3,164
Financial assets that have been derecognized	(5,324)	(242)	(76,604)	(82,170)
Unwind discount	3,228	78	9,306	12,612
Impact on ECL Transfers	(9,423)	(608)	11,205	1,174
Changes in models/risk parameters	6,757	257	(23,349)	(16,335)
Foreign exchange and other movements	(10,243)	(340)	10,670	87
Loss allowance as at 31 December 2018	11,464	163	88,678	100,305

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (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 Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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	**100,404**	**172**	**779**	**101,355**
Financial assets that have been derecognized	**(34,633)**	**(4,255)**	**(3,292)**	**(42,180)**
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**
Gross carrying amount as at 1 January 2018	328,796	11,666	44,212	384,674
Changes in the gross carrying amount				
– Transfer to stage 1	12,199	(3,153)	(9,046)	-
– Transfer to stage 2	(9,511)	11,543	(2,032)	-
– Transfer to stage 3	(14,658)	(2,751)	17,409	-
New financial assets originated or purchased	150,460	2,802	4,495	157,757
Financial assets that have been derecognized	(91,606)	(7,152)	(12,927)	(111,685)
Write-offs	(745)	(49)	(13,711)	(14,505)
Gross carrying amount as at 31 December 2018	374,935	12,906	28,400	416,241
Loss allowance as at 31 December 2018	3,189	917	3,527	7,633

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

SME lending (continued)

GROUP Loss allowances - Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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**	**-**
– Write-offs	**-**	**-**	**(2,567)**	**(2,567)**
New financial assets originated or purchased	**469**	**44**	**858**	**1,371**
Financial assets that have been derecognized	**(76)**	**(143)**	**(4,423)**	**(4,642)**
Unwind discount	**445**	**153**	**463**	**1,061**
Impact on ECL Transfers	**(2,181)**	**(145)**	**5,621**	**3,295**
Changes in models/risk parameters	**41**	**(153)**	**6,564**	**6,452**
Loss allowance as at 31 December 2019	**1,589**	**822**	**10,192**	**12,603**
Loss allowance as at 1 January 2018	916	205	8,623	9,744
Changes in the loss allowance				
– Transfer to stage 1	3,311	(124)	(3,187)	-
– Transfer to stage 2	(28)	152	(124)	-
– Transfer to stage 3	(83)	(1)	84	-
New financial assets originated or purchased	1,026	342	941	2,309
Financial assets that have been derecognized	(254)	(64)	(2,808)	(3,126)
Unwind discount	743	35	240	1,018
Impact on ECL Transfers	(982)	413	80	(489)
Changes in models/risk parameters	1,739	(14)	(3,548)	(1,823)
Foreign exchange and other movements	(3,199)	(27)	3,226	-
Loss allowance as at 31 December 2018	3,189	917	3,527	7,633

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (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 Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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	**18,474**	**223**	**97**	**18,794**
Financial assets that have been derecognized	**(32,119)**	**(1,859)**	**(3,089)**	**(37,067)**
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**
Gross carrying amount as at 1 January 2018	98,306	3,646	9,626	111,578
Changes in the gross carrying amount				
– Transfer to stage 1	774	(545)	(229)	-
– Transfer to stage 2	(777)	777	-	-
– Transfer to stage 3	(31,816)	(882)	32,698	-
New financial assets originated or purchased	12,406	804	534	13,744
Financial assets that have been derecognized	(24,302)	(427)	(21,006)	(45,735)
Write-offs	(447)	(1,989)	(9,097)	(11,533)
Gross carrying amount as at 31 December 2018	54,144	1,384	12,526	68,054
Loss allowance as at 31 December 2018	1,354	268	11,540	13,162

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

Microfinance lending (continued)

GROUP Loss allowances - Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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**
Financial assets that have been derecognized	**-**	**-**	**(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**
Loss allowance as at 1 January 2018	2,407	768	8,704	11,879
Changes in the loss allowance				
– Transfer to stage 1	258	(120)	(138)	-
– Transfer to stage 2	(28)	28	-	-
– Transfer to stage 3	(1,401)	(101)	1,502	-
New financial assets originated or purchased	61	2	-	63
Financial assets that have been derecognized	(547)	(547)	(8,500)	(9,594)
Unwind discount	102	6	266	374
Impact on ECL Transfers	393	238	9,994	10,625
Changes in models/risk parameters	(1,062)	(199)	1,076	(185)
Foreign exchange and other movements	1,171	193	(1,364)	-
Loss allowance as at 31 December 2018	1,354	268	11,540	13,162

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (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 Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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	**5,176**	**93**	**214**	**5,483**
Financial assets that have been derecognized	**(3,195)**	**(104)**	**(373)**	**(3,672)**
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**
Gross carrying amount as at 1 January 2018	36,056	978	1,595	38,629
Changes in the gross carrying amount				
– Transfer to stage 1	1,720	(823)	(897)	-
– Transfer to stage 2	(932)	966	(34)	-
– Transfer to stage 3	(189)	(154)	343	-
New financial assets originated or purchased	9,850	-	-	9,850
Financial assets that have been derecognized	(7,455)	(43)	(335)	(7,833)
Write-offs	-	-	(42)	(42)
Gross carrying amount as at 31 December 2018	39,050	924	630	40,604
Loss allowance as at 31 December 2018	153	23	59	235

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

Mortgage lending (continued)

GROUP Loss allowances - Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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**
Financial assets that have been derecognized	**-**	**-**	**-**	**-**
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**
Loss allowance as at 1 January 2018	40	31	261	332
Changes in the loss allowance				
– Transfer to stage 1	198	(28)	(170)	-
– Transfer to stage 2	(5)	5	-	-
– Transfer to stage 3	-	(3)	3	-
New financial assets originated or purchased	88	-	-	88
Financial assets that have been derecognized	(21)	-	(36)	(57)
Unwind discount	39	1	11	51
Impact on ECL Transfers	(147)	16	(1)	(132)
Changes in models/risk parameters	153	(25)	(175)	(47)
Foreign exchange and other movements	(192)	26	166	-
Loss allowance as at 31 December 2018	153	23	59	235

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (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 Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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	**267,331**	**431**	**236**	**267,998**
Financial assets that have been derecognized	**(74,005)**	**(3,257)**	**(4,177)**	**(81,439)**
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**
Gross carrying amount as at 1 January 2018	964,049	20,925	38,575	1,023,549
Changes in the gross carrying amount				
- Transfer to stage 1	21,881	(14,800)	(7,081)	-
- Transfer to stage 2	(8,562)	9,288	(726)	-
- Transfer to stage 3	(17,465)	(1,913)	19,378	-
New financial assets originated or purchased	519,233	3,983	4,121	527,337
Financial assets that have been derecognized	(87,643)	(3,508)	(7,521)	(98,672)
Write-offs	(969)	(1,583)	(19,144)	(21,696)
Gross carrying amount as at 31 December 2018	1,390,524	12,392	27,602	1,430,518
Loss allowance as at 31 December 2018	42,841	5,390	17,079	65,310

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

Personal lending (continued)

GROUP Loss allowances - Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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**
Financial assets that have been derecognized	**(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**
Loss allowance as at 1 January 2018	13,331	5,636	29,308	48,275
Changes in the loss allowance				
– Transfer to stage 1	9,634	(4,284)	(5,350)	-
– Transfer to stage 2	(157)	712	(555)	-
– Transfer to stage 3	(268)	(427)	695	-
New financial assets originated or purchased	15,645	1,936	2,627	20,208
Financial assets that have been derecognized	(789)	(744)	(16,640)	(18,173)
Unwind discount	2,999	149	1,105	4,253
Impact on ECL Transfers	5,279	2,557	7,201	15,037
Changes in models/risk parameters	6,328	(4,143)	(6,306)	(4,121)
Foreign exchange and other movements	(9,161)	3,998	4,994	(169)
Loss allowance as at 31 December 2018	42,841	5,390	17,079	65,310

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (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 Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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	**134,105**	**119**	**517**	**134,741**
Financial assets that have been derecognized	**(79,481)**	**4,738**	**60,808**	**(13,935)**
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**
Gross carrying amount as at 1 January 2018	1,190,226	12,340	355,969	1,558,535
Changes in the gross carrying amount				
– Transfer to stage 1	44,181	(5,363)	(38,818)	-
– Transfer to stage 2	(34,286)	41,116	(6,830)	-
– Transfer to stage 3	(20,264)	(2,926)	23,190	-
New financial assets originated or purchased	200,930	1,371	75,055	277,356
Financial assets that have been derecognized	(201,321)	(10,319)	(148,569)	(360,209)
Write-offs	(17,678)	(25)	(107,224)	(124,927)
Gross carrying amount as at 31 December 2018	1,161,788	36,194	152,773	1,350,755
Loss allowance as at 31 December 2018	11,366	163	88,678	100,207

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

Corporate lending (continued)

BANK Loss allowances - Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
Loss allowance as at 1 January 2019	**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**
Financial assets that have been derecognized	**(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 2019	**16,972**	**6,270**	**71,706**	**94,948**
Loss allowance as at 1 January 2018	14,007	673	167,085	181,765
Changes in the loss allowance				
– Transfer to stage 1	11,123	(42)	(11,081)	-
– Transfer to stage 2	(771)	771	-	-
– Transfer to stage 3	(22)	(389)	411	-
New financial assets originated or purchased	2,124	4	1,035	3,163
Financial assets that have been derecognized	(5,320)	(242)	(76,604)	(82,166)
Unwind discount	3,227	78	9,306	12,611
Impact on ECL Transfers	(9,429)	(608)	11,205	1,168
Changes in models/risk parameters	6,758	255	(23,350)	(16,337)
Foreign exchange and other movements	(10,331)	(339)	10,670	-
Loss allowance as at 31 December 2018	11,366	163	88,678	100,207

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (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 Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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	**98,622**	**1,461**	**978**	**101,061**
Financial assets that have been derecognized	**(34,125)**	**(4,230)**	**(3,008)**	**(41,363)**
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**
Gross carrying amount as at 1 January 2018	326,480	11,645	44,132	382,257
Changes in the gross carrying amount				
– Transfer to stage 1	12,199	(3,153)	(9,046)	-
– Transfer to stage 2	(9,290)	11,322	(2,032)	-
– Transfer to stage 3	(14,431)	(2,751)	17,182	-
New financial assets originated or purchased	141,232	224	13,857	155,313
Financial assets that have been derecognized	(81,832)	(4,752)	(22,267)	(108,851)
Write-offs	(745)	(49)	(13,711)	(14,505)
Gross carrying amount as at 31 December 2018	373,613	12,486	28,115	414,214
Loss allowance as at 31 December 2018	3,187	919	3,527	7,633

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

SME lending (continued)

BANK Loss allowances - Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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**
Financial assets that have been derecognized	**(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**
Loss allowance as at 1 January 2018	915	205	8,623	9,743
Changes in the loss allowance				
- Transfer to stage 1	3,311	(124)	(3,187)	-
- Transfer to stage 2	(27)	151	(124)	-
- Transfer to stage 3	(84)	(1)	85	-
New financial assets originated or purchased	1,026	344	940	2,310
Financial assets that have been derecognized	(254)	(64)	(2,808)	(3,126)
Unwind discount	743	35	240	1,018
Impact on ECL Transfers	(983)	413	80	(490)
Changes in models/risk parameters	1,740	(14)	(3,548)	(1,822)
Foreign exchange and other movements	(3,200)	(26)	3,226	-
Loss allowance as at 31 December 2018	3,187	919	3,527	7,633

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (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 Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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	**19,349**	**224**	**96**	**19,669**
Financial assets that have been derecognized	**(31,673)**	**(1,859)**	**(3,089)**	**(36,621)**
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**
Gross carrying amount as at 1 January 2018	96,989	3,646	9,626	110,261
Changes in the gross carrying amount				
- Transfer to stage 1	774	(545)	(229)	-
- Transfer to stage 2	(777)	777	-	-
- Transfer to stage 3	(31,816)	(882)	32,698	-
New financial assets originated or purchased	6,205	803	534	7,542
Financial assets that have been derecognized	(23,698)	(444)	(21,043)	(45,185)
Write-offs	(447)	(1,989)	(9,097)	(11,533)
Gross carrying amount as at 31 December 2018	47,230	1,366	12,489	61,085
Loss allowance as at 31 December 2018	1,354	267	11,534	13,155

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

Microfinance lending (continued)

BANK Loss allowances - Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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**	**-**
– Write-offs	**-**	**-**	**(313)**	**(313)**
New financial assets originated or purchased	**24**	**-**	**-**	**24**
Financial assets that have been derecognized	**-**	**-**	**(10,566)**	**(10,566)**
Unwind discount	**128**	**5**	**96**	**229**
Impact on ECL Transfers	**(329)**	**1**	**8**	**(320)**
Changes in models/risk parameters	**(1,128)**	**(47)**	**(769)**	**(1,944)**
Loss allowance as at 31 December 2019	**258**	**2**	**5**	**265**
Loss allowance as at 1 January 2018	2,407	768	8,703	11,878
Changes in the loss allowance				
– Transfer to stage 1	258	(120)	(138)	-
– Transfer to stage 2	(28)	28	-	-
– Transfer to stage 3	(1,401)	(101)	1,502	-
New financial assets originated or purchased	61	1	-	62
Financial assets that have been derecognized	(547)	(547)	(8,500)	(9,574)
Unwind discount	102	6	266	374
Impact on ECL Transfers	393	238	9,989	10,620
Changes in models/risk parameters	(1,062)	(199)	1,076	(185)
Foreign exchange and other movements	1,171	193	(1,364)	-
Loss allowance as at 31 December 2018	1,354	267	11,534	13,155

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (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 Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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	**4,676**	**93**	**127**	**4,896**
Financial assets that have been derecognized	**(8,859)**	**(104)**	**(286)**	**(9,249)**
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**
Gross carrying amount as at 1 January 2018	36,056	978	1,595	38,629
Changes in the gross carrying amount				
– Transfer to stage 1	1,720	(823)	(897)	-
– Transfer to stage 2	(932)	966	(34)	-
– Transfer to stage 3	(189)	(154)	343	-
New financial assets originated or purchased	8,685	-	-	8,685
Financial assets that have been derecognized	(6,293)	(43)	(335)	(6,671)
Write-offs	-	-	(42)	(42)
Gross carrying amount as at 31 December 2018	39,047	924	630	40,601
Loss allowance as at 31 December 2018	153	22	59	234

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

Mortgage lending (continued)

BANK Loss allowances - Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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**
Financial assets that have been derecognized	**-**	**-**	**-**	**-**
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**
Loss allowance as at 1 January 2018	39	32	261	332
Changes in the loss allowance				
- Transfer to stage 1	198	(28)	(170)	-
- Transfer to stage 2	(5)	5	-	-
- Transfer to stage 3	-	(3)	3	-
New financial assets originated or purchased	88	-	-	88
Financial assets that have been derecognized	(21)	-	(36)	(57)
Unwind discount	39	1	11	51
Impact on ECL Transfers	(147)	16	(1)	(132)
Changes in models/risk parameters	154	(27)	(175)	(48)
Foreign exchange and other movements	(192)	26	166	-
Loss allowance as at 31 December 2018	153	22	59	234

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (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 Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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	**261,726**	**1,453**	**729**	**263,908**
Financial assets that have been derecognized	**(55,096)**	**(3,004)**	**(4,120)**	**(62,220)**
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**
Gross carrying amount as at 1 January 2018	926,473	20,540	38,518	985,531
Changes in the gross carrying amount				
– Transfer to stage 1	21,710	(14,629)	(7,081)	-
– Transfer to stage 2	(8,134)	8,860	(726)	-
– Transfer to stage 3	(17,400)	(1,846)	19,246	-
New financial assets originated or purchased	475,015	3,795	18,457	497,267
Financial assets that have been derecognized	(54,662)	(3,268)	(21,858)	(79,788)
Write-offs	(969)	(1,583)	(19,144)	(21,696)
Gross carrying amount as at 31 December 2018	1,342,033	11,869	27,412	1,381,314
Loss allowance as at 31 December 2018	42,764	5,381	17,051	65,196

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loans and advances (continued)

Personal lending (continued)

BANK Loss allowances - Loans and advances to customers at amortised cost	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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**
Financial assets that have been derecognized	**(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**
Loss allowance as at 1 January 2018	13,152	5,624	29,277	48,053
Changes in the loss allowance				
– Transfer to stage 1	9,629	(4,278)	(5,351)	-
– Transfer to stage 2	(156)	711	(555)	-
– Transfer to stage 3	(268)	(425)	693	-
New financial assets originated or purchased	15,727	1,935	2,622	20,284
Financial assets that have been derecognized	(776)	(741)	(16,609)	(18,126)
Unwind discount	2,991	148	1,105	4,244
Impact on ECL Transfers	5,290	2,552	7,180	15,022
Changes in models/risk parameters	6,332	(4,136)	(6,308)	(4,112)
Foreign exchange and other movements	(9,157)	3,991	4,997	(169)
Loss allowance as at 31 December 2018	42,764	5,381	17,051	65,196

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.6 Restructured Loans

During the year total of TZS 69,463 million (2018: TZS 55,696 million) loans and advances were renegotiated and restructured. There were no loans and advances that were either renegotiated or restructured by the Bank's subsidiaries.

4.1.7 Investment securities

The investment securities held by the Group and Bank comprise of private corporate bonds, and treasury bills and bonds issued by the Governments of Burundi and Tanzania, refer Note 19. All these investments were considered to be under Stage 1. These investment securities are held with the Governments or institutions with good financial standing and no history of default. They are not rated.

4.1.8 Off-balance sheet exposures

The analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to off-balance sheet items are disclosed in Note 23.

4.1.9 Concentration of risks of financial assets with credit risk exposure

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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

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

(a) Industry sectors

Group

(Amounts are in TZS' Million)

Credit exposures as at 31 December 2019	Financial institutions	Manufacturing	Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
On Balance sheet items										
Balances with Central Banks	430,219	-	-	-	-	-	-	-	-	430,219
Loans and advances to banks	323,677	-	-	-	-	-	-	-	-	323,677
Government securities	-	-	1,412,843	-	-	-	-	-	-	1,412,843
Corporate Bonds	4,520	-	-	-	-	-	-	-	-	4,520
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
	789,264	196,630	1,505,616	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).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

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

(a) Industry sectors (continued)

Group

(Amounts are in TZS' Million)

Credit exposures as at 31 December 2018	Financial institutions	Manufacturing	Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
On Balance sheet items										
Balances with Central Banks	389,567	-	-	-	-	-	-	-	-	389,567
Loans and advances to banks	345,698	-	-	-	-	-	-	-	-	345,698
Government securities	-	-	1,238,083	-	-	-	-	-	-	1,238,083
Corporate Bonds	3,516	-	-	-	-	-	-	-	-	3,516
Loans and advances to customers (Gross)	72,214	208,649	-	360,956	138,373	87,560	364,735	1,482,199	599,414	3,313,378
Credit cards	-	-	-	-	-	-	-	533	-	533
Other assets*	-	-	-	-	46,001	-	-	-	6,518	52,519
	810,995	208,649	1,238,083	360,956	184,374	87,560	364,735	1,482,732	605,932	5,344,016
Off-Balance sheet items										
Guarantees and indemnities	184,411	-	-	10,293	517	-	1,703	15	255,272	452,211
Letters of credit	999	-	-	7,847	562	-	22,904	-	114,467	146,779
Commitment to extend credit	2,088	11,631	-	23,734	4,822	1,514	15,267	2	38,914	97,972
	187,498	11,631	-	41,874	5,901	1,514	39,874	17	408,653	696,962

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

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

(a) Industry sectors (continued)

Bank

(Amounts are in TZS' Million)

Credit exposures as at 31 December 2019	Financial institutions	Manufacturing	Local and central Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
On Balance sheet items										
Balances with Central Banks	424,121	-	-	-	-	-	-	-	-	424,121
Loans and advances to banks	346,776	-	-	-	-	-	-	-	-	346,776
Government securities	-	-	1,281,393	-	-	-	-	-	-	1,281,393
Corporate Bonds	4,520	-	-	-	-	-	-	-	-	4,520
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
	845,695	192,310	1,334,612	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).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

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

(a) Industry sectors (continued)

Bank

(Amounts are in TZS' Million)

Credit exposures as at 31 December 2018	Financial institutions	Manufacturing	Local and central Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
On Balance sheet items										
Balances with Central Banks	382,268	-	-	-	-	-	-	-	-	382,268
Loans and advances to banks	362,353	-	-	-	-	-	-	-	-	362,353
Government securities	-	-	1,181,132	-	-	-	-	-	-	1,181,132
Corporate Bonds	3,516	-	-	-	-	-	-	-	-	3,516
Loans and advances to customers (Gross)	65,587	207,134	58,956	326,890	126,397	85,333	334,951	1,395,531	647,190	3,247,969
Credit cards	-	-	-	-	-	-	-	-	533	533
Other assets*	-	-	-	-	44,928	-	-	-	6,401	51,329
	813,724	207,134	1,240,088	326,890	171,325	85,333	334,951	1,395,531	654,124	5,229,100
Off-Balance sheet items										
Guarantees and indemnities	184,411	-	-	10,293	517	-	1,703	15	253,398	450,337
Letters of credit	999	-	-	7,847	562	-	22,904	-	114,467	146,779
Commitment to extend credit	2,088	11,631	-	23,734	4,822	1,514	15,267	2	38,914	97,972
	187,498	11,631	-	41,874	5,901	1,514	39,874	17	406,779	695,088

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.9 Concentration of risks of financial assets with credit risk exposure (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

(Amounts are in TZS' Million)

Year ended 31 December 2019	Tanzania	Europe	America	Burundi	Others	Total
On Balance sheet items						
Balances with Central Banks	424,121	-	-	6,098	-	430,219
Loans and advances to banks	179,747	55,342	41,094	4,813	42,681	323,677
Government securities	1,281,393	-	-	131,450	-	1,412,843
Corporate Bonds	4,520	-	-	-	-	4,520
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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

4.1.9 Concentration of risks of financial assets with credit risk exposure (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

(Amounts are in TZS' Million)

Year ended 31 December 2018	Tanzania	Europe	America	Burundi	Others	Total
On Balance sheet items						
Balances with Central Banks	382,268	-	-	7,299	-	389,567
Loans and advances to banks	107,011	127,664	107,016	-	4,007	345,698
Government securities	1,185,754	-	-	52,329	-	1,238,083
Corporate Bonds	3,516	-	-	-	-	3,516
Loans and advances to customers (Gross)	3,247,969	-	-	66,131	-	3,313,378
Credit cards	533					533
Other assets	52,519	-	-	-	-	52,519
	4,979,570	127,664	107,016	125,759	4,007	5,344,016
Off balance sheet items						
Guarantees and indemnities	377,811	8,428	-	1,874	64,098	452,211
Letters of credit	-	23,673	-	-	123,106	146,779
Commitment to extend credit	97,972	-	-	-	-	97,972
	475,783	32,101	-	1,874	187,204	696,962

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

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

(b) Geographical sectors (continued)

Bank

(Amounts are in TZS' Million)

Year ended 31 December 2019	Tanzania	Europe	America	Burundi	Others	Total
On Balance sheet items						
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
Government securities	1,281,393	-	-	-	-	1,281,393
Corporate Bonds	4,520	-	-	-	-	4,520
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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk (continued)

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

(b) Geographical sectors (continued)

Bank

(Amounts are in TZS' Million)

Year ended 31 December 2018	Tanzania	Europe	America	Burundi	Others	Total
On Balance sheet items						
Balances with Central Bank	382,268	-	-	-	-	382,268
Loans and advances to banks	101,516	117,564	103,357	30,502	9,414	362,353
Government securities	1,181,132	-	-	-	-	1,181,132
Corporate Bonds	3,516	-	-	-	-	3,516
Loans and advances to customers (Gross)	3,195,567	-	-	52,402	-	3,247,969
Credit cards	533					533
Other assets	51,017	-	-	312	-	51,329
	4,915,549	117,564	103,357	83,216	9,414	5,229,100
Off balance sheet items						
Guarantees and indemnities	377,811	8,428	-	-	64,098	450,337
Letters of credit	-	23,673	-	-	123,106	146,779
Commitment to extend credit	97,972	-	-	-	-	97,972
	475,783	32,101	-	-	187,204	695,088

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Market risk

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. 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 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.

(a) 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.

4.2.1 Foreign exchange risk

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

	GROUP		BANK	
	2019	2018	**2019**	2018
	TZS' Million	TZS' Million	**TZS' Million**	TZS' Million
USD	**1,178**	13	**2,051**	1,045
EURO	**(64)**	243	**(56)**	271
GBP	**(11)**	79	**(8)**	81
BIF	**2**	2	**2**	2
Others	**327**	72	**318**	71

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 2,127 million (2018: TZS 1,105 million).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Market risk (continued)

4.2.1 Foreign exchange risk (continued)

Group

Concentrations of foreign currency risk – on- and off-balance sheet financial instruments.

(Amounts are in TZS' Million)

As at 31 December 2019	TZS	USD	EURO	GBP	BIF	Others	Total
Assets							
Cash and balances with Central banks	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
Government securities	1,412,843	-	-	-	-	-	1,412,843
Equity investments	8,135	-	-	-	-	-	8,135
Corporate Bonds	4,520	-	-	-	-	-	4,520
Credit cards	1,312	-	-	-	-	-	1,312
Other assets*	96,332	1,508	-	-	-	-	97,840
	5,089,806	980,686	64,579	4,572	148	13,646	6,153,437
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
	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, dividend payable and statutory liabilities).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Market risk (continued)

4.2.1 Foreign exchange risk (continued)

Group

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

(Amounts are in TZS' Million)

As at 31 December 2018	TZS	USD	EURO	GBP	BIF	Others	Total
Assets							
Cash and balances with Central banks	636,302	58,619	4,815	1,255	-	-	700,991
Loans and advances to banks	24,996	244,427	70,396	4,658	42	1,179	345,698
Loans and advances to customers (Gross)	2,593,352	720,022	3	1	-	-	3,313,378
Government securities	1,238,083	-	-	-	-	-	1,238,083
Equity investments	7,013	-	-	-	-	-	7,013
Credit cards	533	-	-	-	-	-	533
Corporate Bonds	3,516	-	-	-	-	-	3,516
Other assets*	51,348	1,171	-	-	-	-	52,519
	4,555,143	1,024,239	75,214	5,914	42	1,179	5,661,731
Liabilities							
Deposits from customers	3,855,444	754,549	68,701	3,874	-	4,606	4,687,174
Deposits from Banks	27	3,967	-	-	-	-	3,994
Other liabilities**	58,219	3,184	136	8	-	18	61,565
Borrowings	159,053	267,608	-	-	-	-	426,661
Subordinated debt	32,400	-	-	-	-	-	32,400
	4,105,143	1,029,308	68,837	3,882	-	4,624	5,211,794
Net on-balance sheet financial position	450,000	(5,069)	6,377	2,032	42	(3,445)	449,937
Off balance sheet commitments	336,483	306,156	43,108	798	-	10,007	696,962

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Market risk (continued)

4.2.1 Foreign exchange risk (continued)

Bank

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

(Amounts are in TZS' Million)

As at 31 December 2019	TZS	USD	EURO	GBP	BIF	Others	Total
Assets							
Cash and balances with Central banks	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
Government securities	1,281,392	-	-	-	-	-	1,281,392
Equity investments	8,013	-	-	-	-	-	8,013
Corporate Bonds	4,520	-	-	-	-	-	4,520
Credit cards	1,312	-	-	-	-	-	1,312
Other assets	96,965	1,508	-	-	-	-	98,473
Total financial assets	4,905,123	991,087	63,869	4,553	148	13,416	5,978,196
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	383,682	51,272	(1,389)	(206)	(62)	7,949	441,246
Off balance sheet commitments	407,099	913,348	6,534	-	-	239,772	1,566,753

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Market risk (continued)

4.2.1 Foreign exchange risk (continued)

Bank

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

(Amounts are in TZS' Million).

As at 31 December 2018	TZS	USD	EURO	GBP	BIF	Others	Total
Assets							
Cash and balances with Central banks	626,477	58,617	4,814	1,255	-	-	691,163
Loans and advances to banks	21,561	258,980	70,396	4,658	42	6,716	362,353
Loans and advances to customers (Gross)	2,527,943	720,022	3	1	-	-	3,247,969
Government securities	1,181,132	-	-	-	-	-	1,181,132
Equity investments	7,013	-	-	-	-	-	7,013
Corporate Bonds	3,516	-	-	-	-	-	3,516
Credit cards	533	-	-	-	-	-	533
Other assets	50,157	1,171	-	1	-	-	51,329
Total financial assets	4,418,332	1,038,790	75,213	5,915	42	6,716	5,545,008
Liabilities							
Deposits from customers	3,760,171	745,819	68,310	3,873	-	4,917	4,583,090
Deposits from banks	27	3,967	-	-	-	-	3,994
Other liabilities	66,962	3,185	136	8	-	18	70,309
Borrowings	159,053	267,608	-	-	-	-	426,661
Subordinated debt	32,400	-	-	-	-	-	32,400
Total financial liabilities	4,018,613	1,020,579	68,446	3,881	-	4,935	5,116,454
Net on-balance sheet financial position	399,719	18,211	6,767	2,034	42	1,781	428,554
Off balance sheet commitments	335,019	306,156	43,108	798	-	10,007	695,088

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Market risk (continued)

4.2.2 Price risk

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 321 million (2018: TZS 459 million), TMRC amounting to TZS 4,652 million (2018: TZS 2,280 million), and Tandahimba amounting to TZS 3,040 million (2018: TZS 2,661 million). Financial assets exposed to debt securities price risk are classified on the statement of financial position as government securities at fair value through Other Comprehensive Income (OCI). If the market price of debt had increased/decreased by 5% with all other variables held constant, the fair value reserve in debt securities would have increased/decreased as a result of gains or losses on debt securities classified as debt instrument at fair value through OCI by TZS 19,264 million as at 31 December 2019 (2018: TZS 24,506 million) for the Group and Bank.

4.2.3 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 Bank'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 department and reported regularly to ALCO and the Board. The interest rate gap is within internal limits.

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 18,203 million (2018: TZS 19,854 million) and TZS 19,254 million (2018: TZS 21,625 million) respectively.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Market risk (continued)

4.2.3 Interest rate risk (continued)

(Amounts are in TZS Million)

Group 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 banks	-	-	-	764,015	764,015
Government securities	48,502	217,704	1,146,637	-	1,412,843
Corporate Bonds	-	-	4,520	-	4,520
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**	**3,836,390**	**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**	**3,469,407**		

** All financial instruments are at fixed interest rate.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Market risk (continued)

4.2.3 Interest rate risk (continued)

(Amounts are in TZS Million)

Group As at 31 December 2018	Up to 3 months	3 - 12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and balances with Central banks	-	-	-	700,991	700,991
Government securities	7,261	174,203	1,056,618	-	1,238,083
Corporate Bonds	16	-	3,500	-	3,516
Loans and advances to banks	176,142	-	-	169,556	345,698
Loans and advances to customers (Gross)	238,183	426,704	2,648,491	-	3,313,378
Credit cards	533	-	-	-	533
Other assets	-	-	-	52,519	52,519
Total financial assets	422,135	600,907	3,708,609	923,066	5,654,718
Liabilities					
Deposits from banks	3,994	-	-	-	3,994
Deposits from customers	4,260,908	271,707	107,873	46,686	4,687,174
Borrowings	39,318	99,473	287,870	-	426,661
Subordinated debt	2,400	-	30,000	-	32,400
Other liabilities	-	-	-	61,565	61,565
Total financial liabilities	4,306,620	371,180	425,743	108,251	5,211,794
Total interest gap	(3,884,485)	229,727	3,282,866		

** All financial instruments are at fixed interest rate.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Market risk (continued)

4.2.3 Interest rate risk (continued)

(Amounts are in TZS Million)

Bank 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 banks	-	-	-	753,462	753,462
Government securities	46,314	189,134	1,045,945	-	1,281,392
Corporate Bonds	-	-	4,520	-	4,520
Loans and advances to banks	309,741	-	22,228	13,087	346,776
Loans and advances to customers (Gross)	208,540	639,228	2,636,386	-	3,484,248
Credit cards	1,312	-	-	-	1,312
Other assets	-	-	-	98,473	98,473
Total financial assets	569,096	864,091	3,836,390	875,725	6,145,302
Liabilities					
Deposits from banks	6,498	-	-	-	6,498
Deposits from customers	4,728,649	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	(4,056,248)	455,120	3,471,322		

** All financial instruments are at fixed interest rate.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Market risk (continued)

4.2.3 Interest rate risk (continued)

(Amounts are in TZS Million)

Bank As at 31 December 2018	Up to 3 months	3 - 12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and balances with Central banks	-	-	-	691,163	691,163
Government securities	409	154,057	1,026,666	-	1,181,132
Corporate Bonds	16	-	3,500	-	3,516
Loans and advances to banks	172,127	-	22,281	167,945	362,353
Loans and advances to customers (Gross)	226,834	415,355	2,605,780	-	3,247,969
Credit cards	533	-	-	-	533
Other assets	-	-	-	51,329	51,329
Total financial assets	399,919	569,412	3,658,227	910,437	5,537,995
Liabilities					
Deposits from banks	3,994	-	-	-	3,994
Deposits from customers	4,182,520	249,869	107,745	42,956	4,583,090
Borrowings	39,318	99,473	287,870	-	426,661
Subordinated debt	2,400	-	30,000	-	32,400
Other liabilities	-	-	-	70,309	70,309
Total financial liabilities	4,228,232	349,342	425,615	113,265	5,116,454
Total interest gap	(3,828,313)	220,070	3,232,612		

** All financial instruments are at fixed interest rate.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Liquidity risk

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.

4.3.1 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 4.3.3).

4.3.2 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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Liquidity risk (continued)

4.3.3 Non-derivative cash flows

The tables below present the cash flows payable by the Group and Bank under non-derivative financial liabilities by remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash, as the Group and Bank manage the inherent liquidity risk based on expected undiscounted cash flows.

Group

(Amounts are in TZS Million)

As at 31 December 2019	Up to 3 months	3-12 months	Over 1 year	Total
Liabilities				
Deposits from customers	**4,747,185**	**407,230**	**47,832**	**5,202,247**
Deposits from Banks	**25,195**	**-**	**-**	**25,195**
Subordinated debt	**2,400**	**-**	**30,000**	**32,400**
Borrowings	**6,004**	**27,000**	**264,088**	**297,092**
Lease liabilities	**132**	**1,643**	**38,003**	**39,778**
Other liabilities**	**93,071**	**-**	**-**	**93,071**
Total financial liabilities (contractual maturity dates)	**4,873,987**	**435,873**	**379,923**	**5,689,783**
Total financial assets (expected maturity dates)	**1,444,845**	**864,091**	**3,836,390**	**6,145,326**

As at 31 December 2018	Up to 3 months	3-12 months	Over 1 year	Total
Liabilities				
Deposits from customers	4,307,594	271,707	107,873	4,687,174
Deposits from Banks	3,994	-	-	3,994
Subordinated debt	2,400	-	30,000	32,400
Borrowings	39,318	99,473	287,870	426,661
Lease liabilities	-	-	-	-
Other liabilities**	61,565	-	-	61,565
Total financial liabilities (contractual maturity dates)	4,414,871	371,180	425,743	5,211,794
Total financial assets (expected maturity dates)	1,318,938	619,258	3,529,878	5,468,074

** Other liabilities (excludes deferred income, dividend payable and statutory liabilities).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Liquidity risk (continued)

4.3.3 Non-derivative cash flows (continued)

Bank (Amounts are in TZS Million)

As at 31 December 2019	Up to 3 months	3-12 months	Over 1 year	Total
Liabilities				
Deposits from customers	4,632,012	390,376	46,455	5,068,843
Deposits from Banks	6,498	-	-	6,498
Subordinated debt	2,400	-	30,000	32,400
Borrowings	6,004	27,000	264,088	297,092
Lease liabilities	132	1,643	37,128	38,903
Other liabilities**	93,213	-	-	93,213
Total financial liabilities (contractual maturity dates)	4,740,259	419,019	377,671	5,536,949
Total financial assets (expected maturity dates)	1,430,954	828,363	3,709,078	5,968,395
As at 31 December 2018				
Liabilities				
Deposits from customers	4,225,476	249,869	107,745	4,583,090
Deposits from Banks	3,994	-	-	3,994
Subordinated debt	2,400	-	30,000	32,400
Borrowings	39,318	99,473	287,870	426,661
Lease liabilities	-	-	-	-
Other liabilities**	70,309	-	-	70,309
Total financial liabilities (contractual maturity dates)	4,341,497	349,342	425,615	5,116,454
Total financial assets (expected maturity dates)	1,284,093	599,553	3,467,925	5,359,243

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.

4.3.4 Collateral

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 105,894 million as at 31 December 2019 (2018: TZS 85,750 million) in respects of Short term borrowings extended to Banks. The Group 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.

4.3.5 Off-balance sheet items

(a) Loan commitments

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

(b) Financial guarantees and other financial facilities

Financial guarantees are included below based on the earliest period required to pay.

(c) Operating lease commitments

Where the Group and the Bank, are the lessee, the future minimum lease payments under non-cancellable operating leases, are summarised below.

(d) Capital commitments

These relate to the acquisition of property and equipment.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Liquidity risk (continued)

4.3.5 Off-balance sheet items

Summary of off-balance sheet items:

Group (Amounts are in TZS Million)

As at 31 December 2019	No later than 1 year	1 - 5 years	Over 5 years	Total
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	**19,033**	**-**	**-**	**19,033**
As at 31 December 2018				
Outstanding letters of credit	146,779	-	-	146,779
Guarantees and indemnities	330,111	121,776	324	452,211
Commitments to extend credit	97,972	-	-	97,972
Capital commitments	32,815	-	-	32,815

Bank (Amounts are in TZS Million)

As at 31 December 2019	No later than 1 year	1 - 5 years	Over 5 years	Total
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**
As at 31 December 2018				
Outstanding letters of credit	146,779	-	-	146,779
Financial guarantees and indemnities	328,277	121,770	290	450,337
Commitments to extend credit	97,972	-	-	97,972
Capital commitments	32,815	-	-	32,815

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 Fair value of the Group and Bank's 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.

Transfers between the levels of the fair value hierarchy are recognized by the Bank at the end of the reporting period during which the change occurred. There were no transfers between hierarchy levels 1 and 2 during the year.

(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 banks

The carrying amount of cash and balances with Central banks 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 government securities at amortised 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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 Fair value of the Group and Bank's assets and liabilities (continued)

(a) Financial instruments not measured at fair value (continued)

(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.

(viii) Motor vehicles and mobile branches

Revalued amount 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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 Fair value of the Group and Bank's 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 31 December 2019	Hierarchy Level	Carrying amount TZS' Million	Fair value TZS'Million
Financial assets			
Cash and balances with Central banks	2	764,015	764,015
Loans and advances to banks		323,677	323,677
Loans and advances to customers (Gross)	3	3,541,095	3,541,095
Credit cards	3	1,312	1,312
Government securities	1,2	951,050	951,050
Corporate bonds	2	4,520	4,520
Motor vehicles and mobile branches	3	14,435	14,435
Other assets	3	97,840	97,840
		5,697,944	5,697,944
Financial liabilities			
Deposits from banks	2	25,195	25,195
Deposits from customers	3	5,202,247	5,202,247
Borrowings	3	297,092	297,092
Subordinated debts	3	32,400	32,400
Lease liabilities	3	39,778	39,778
Other liabilities	3	93,071	93,071
		5,689,783	5,689,783
31 December 2018			
Financial assets			
Cash and balances with Central banks	2	700,991	700,991
Loans and advances to banks		345,698	345,698
Loans and advances to customers (Gross)	3	3,313,378	3,313,378
Credit cards	3	533	533
Government securities	1,2	757,080	757,080
Corporate bonds	2	3,516	3,516
Motor vehicles and mobile branches	3	11,872	11,872
Other assets	3	52,519	52,519
		5,185,587	5,185,587
Financial liabilities			
Deposits from banks	2	3,994	3,994
Deposits from customers	3	4,687,174	4,687,174
Borrowings	3	426,661	426,661
Subordinated debts	3	32,400	32,400
Other liabilities	3	61,565	61,565
		5,211,794	5,211,794

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 Fair value of the Group and Bank's 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 31 December 2019	Hierarchy Level	Carrying amount TZS' Million	Fair value TZS'Million
Cash and balances with Central Banks	**2**	**753,462**	**753,462**
Loans and advances to banks		**346,776**	**346,776**
Loans and advances to customers (Gross)	**3**	**3,484,248**	**3,484,248**
Credit cards	**3**	**1,312**	**1,312**
Government securities	**1,2**	**819,727**	**819,727**
Corporate bonds	**2**	**4,520**	**4,520**
Motor vehicles and mobile branches	**3**	**13,254**	**13,254**
Other assets	**3**	**98,473**	**98,473**
		5,521,772	**5,521,772**
Financial liabilities			
Deposits from Banks	**2**	**6,498**	**6,498**
Deposits from customers	**3**	**5,068,843**	**5,068,843**
Borrowings	**3**	**297,092**	**297,092**
Subordinated debts	**3**	**32,400**	**32,400**
Lease liabilities	**3**	**38,903**	**38,903**
Other liabilities	**3**	**93,213**	**93,213**
		5,536,950	**5,536,950**
31 December 2018			
Financial assets			
Cash and balances with Central Banks	2	691,163	691,163
Loans and advances to banks		362,353	362,353
Loans and advances to customers (Gross)	3	3,247,969	3,247,969
Credit cards	3	533	533
Government securities	1,2	700,129	700,129
Corporate bonds	2	3,516	3,516
Motor vehicles and mobile branches	3	10,688	10,688
Other assets	3	51,329	51,329
		5,067,680	5,067,680
Financial liabilities			
Deposits from Banks	2	3,994	3,994
Deposits from customers	3	4,583,090	4,583,090
Borrowings	3	426,661	426,661
Subordinated debts	3	32,400	32,400
Other liabilities	3	70,309	70,309
		5,116,454	5,116,454

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 Fair value of the Group and Bank's 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 2019. Motor vehicles that are measured at fair value are disclosed under Note 30B.

	TZS Million			
31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Group				
Debt instruments at fair value through OCI:				
- Treasury Bonds	**-**	**461,665**	**-**	**461,665**
- Equity Investments	**459**	**4,636**	**3,040**	**8,135**
Total assets	**459**	**466,301**	**3,040**	**469,800**
Bank				
Debt instrument at fair value through OCI:				
- Treasury Bonds	**-**	**461,665**	**-**	**461,665**
- Equity Investments	**459**	**4,514**	**3,040**	**8,135**
Total assets	**459**	**466,179**	**3,040**	**469,678**

Group and Bank

31 December 2018				
Debt instrument at fair value through OCI:				
- Treasury Bonds	-	481,003	-	481,003
- Equity Investments	459	3,893	2,661	7,013
Total assets	459	484,896	2,661	488,016

	GROUP		BANK	
	2019	1 Jan 2019	2019	1 Jan 2019
Reconciliation of Level 3 - Equity Investments	TZS' Million	TZS' Million	TZS' Million	TZS' Million
At 1 January	**2,661**	2,380	**2,661**	2,380
Revaluation gain	**257**	281	**257**	281
Purchases	**122**	-	**-**	-
At 31 December	**3,040**	2,661	**2,942**	2,661

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.4 Fair value of assets and liabilities (continued)

(b) Fair value measurement hierarchy of the Group and Bank's assets and liabilities (continued)

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.

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.

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.

4.5 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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.5 Capital management (continued)

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, revaluation reserve and loan portfolio general provision

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.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2019 and 31 December 2018. During those two periods, the Group and Bank complied with all of the externally imposed capital requirements to which they are subject.

	GROUP		BANK	
	2019	2018	2019	2018
	TZS' Million	TZS' Million	TZS' Million	TZS' Million
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	**619,519**	489,227	**607,181**	474,991
Excess impairment –IFRS 9*	**8,769**	17,538	**8,769**	17,538
Prepaid expenses	**(21,091)**	(18,717)	**(17,009)**	(15,623)
Deferred tax asset	**(81,950)**	(86,515)	**(81,957)**	(85,087)
Intangible assets	**-**	(42,571)	**-**	(41,536)
Total qualifying Tier 1 capital	**748,857**	582,572	**740,594**	573,893
Tier 2 capital				
General Banking reserve	**695**	31,020	**-**	30,201
Subordinated debt	**10,500**	16,500	**10,500**	16,500
Revaluation reserve	**-**	25,015	**-**	24,604
Total qualifying Tier 2 capital	**11,195**	72,535	**10,500**	71,305
Total regulatory capital	**760,052**	655,107	**751,094**	645,198
Risk-weighted assets				
On-balance sheet	**3,594,892**	3,350,091	**3,566,421**	3,305,480
Off-balance sheet	**313,247**	291,736	**313,247**	288,909
Market risk	**11,842**	41,151	**11,842**	41,151
Operational risk	**445,253**	622,301	**422,724**	568,207
Total risk-weighted assets	**4,365,234**	4,305,279	**4,314,234**	4,203,747

	Required ratio	**Group's ratio**	Group's ratio	**Bank's ratio**	Bank's ratio
		2019	2018	**2019**	2018
	%	**%**	%		%
Tier 1 capital	12.5	**17.2**	13.5	**17.2**	13.7
Tier 1 + Tier 2 capital (Total capital)	14.5	**17.4**	15.2	**17.4**	15.3

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.5 Capital management (continued)

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 remaining excess impairment on adoption amounting to TZS 17,538 million will be amortised in the retained earnings in the remaining one year. During the year, the Central Bank also made the following changes in the computation of capital ratios; exclusion of intangible assets in the computation of Tier I and abolition of 1% general provision on un-impaired loans.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Critical accounting estimates and assumptions

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next period. All estimates and assumptions required are in conformity with IFRS are best estimates undertaken in accordance with the relevant standard.

a) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by 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 4.2.2.

b) Incorporation of forward-looking information

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. Details on assumptions used are provided under Note 4.1.1.4.

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.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(ii) Critical judgements in applying the Group and Bank's accounting policies

a) Business model assessment

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

b) Significant increase of credit risk

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Whether a change in the risk of default is significant or not is assessed using 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) Establishing Groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are Grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that Group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

The table below 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
Average Commodity price (TZS)	2.49	2.55	2.45
CPI	185.58	205.68	166.52
GDP Growth Rate %	5.20	5.69	4.67
Inflation Rate %	4.79	5.06	4.52
Lending Rate %	15.59	15.76	15.50
Money supply %	10.87	11.64	9.38
Unemployment %	4.58	4.70	4.50

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(ii) Critical judgements in applying the Group and Bank's accounting policies (continued)

d) Provision for legal liabilities

The Group has provided for the liabilities arising out of litigation. The closing balance of provisions held amounted to TZS 4,671 million (2018: TZS 4,041 million). Professional expert advice is taken on establishing litigation provisions. Provisions for legal proceedings and regulatory matters typically require a higher degree of judgements than other types of provisions. When cases are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists as a result of a past event, estimating the probability of outflows and making estimates of the amount of any outflows that may arise. As matters progress through various stages of the cases, Management together with legal advisers evaluate on an ongoing basis whether provisions should be recognized, and the estimated amounts of any such provisions, revising previous judgements and estimates as appropriate.

e) 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 2019 amounted to TZS 81,950 million (2018: TZS 86,515 million) and TZS 81,957 million (2018: TZS 85,087 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.

f) 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 2(t).

g) 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).

6 INTEREST INCOME

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Loans and advances to customers				
- Term loans	**422,771**	378,771	**412,554**	366,003
- Overdrafts	**56,585**	65,466	**55,783**	64,628
- Credit cards	**286**	62	**286**	62
Placements and balances with other banks	**5,761**	5,137	**7,096**	6,060
Discount earned and interest on Government securities				
-Treasury bills	**13,802**	12,346	**13,663**	12,111
-Treasury bonds	**160,708**	149,985	**150,938**	143,824
Private bonds	**484**	222	**484**	222
	660,397	611,989	**640,804**	592,910

7 INTEREST EXPENSE

– current accounts	**11,671**	11,502	**10,865**	10,511
– savings accounts	**14,782**	24,776	**14,208**	24,336
– fixed deposits	**55,433**	61,188	**52,352**	57,804
Borrowings	**25,503**	35,072	**25,503**	35,072
Inter-Bank borrowing	**3,904**	4,250	**3,682**	1,425
Subordinated debt	**2,400**	6,656	**2,400**	6,656
Interest expense on lease liability	**2,615**	-	**2,553**	-
	116,308	143,444	**111,563**	135,804

8. NET FEES AND COMMISSION INCOME

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
a) Fee and Commission Income				
Service charge on customer accounts	**38,607**	41,897	**37,918**	41,218
ATM withdrawal charges	**13,980**	12,067	**13,840**	11,938
VISA and master card fees	**10,872**	6,846	**10,638**	6,673
Commission on letters of credit	**4,206**	4,037	**4,164**	3,993
Fee on issue of Bank cards	**12,527**	12,515	**12,365**	12,338
Fee on local transfers and drafts	**6,870**	3,935	**6,473**	3,728
Point of sale fees	**9,057**	6,354	**8,966**	6,284
Fee on international telegraphic transfers	**3,559**	3,403	**1,449**	3,367
Commission on guarantees and indemnities	**4,705**	2,908	**4,625**	2,876
Commission on mobile phone services	**41,577**	31,494	**41,155**	31,132
Salary processing fees	**5,063**	3,253	**5,011**	3,217
Bills discounted	**2,893**	1,156	**2,864**	1,144
Penalties *	**465**	682	**460**	675
Insurance Commission	**5,130**	4,266	**830**	699
Sale of Cheque books	**828**	952	**786**	884
Statement Charges	**1,320**	1,177	**1,300**	1,164
Custodianship Commission	**792**	324	**784**	321
Agency Banking	**12,370**	4,216	**12,246**	4,129
Commission from TRA collections	**1,397**	1,852	**1,383**	1,832
Other fees and commissions	**6,306**	4,163	**5,578**	3,489
	182,524	147,497	**172,835**	141,101

*Penalties are charged on customer accounts that are below the minimum required balance, significant cash withdrawal without prior notice and closing bank accounts less than one year old.

b) Fee and Commission Expense

Loan commission/Government borrowers	**6,735**	5,165	**6,735**	5,165
Commission paid Agency Banking	**15,222**	9,747	**15,222**	9,021
Bank loan processing commission	**694**	1,307	**694**	1,307
Commission paid Nostro transactions	**3,139**	3,214	**3,053**	3,214
Other fees and commissions	**258**	-	**-**	-
Commission payable to MFSC (subsidiary)*	**-**	-	**-**	6,641
	26,048	19,433	**25,704**	25,348

*Commission payable to MFSC (subsidiary) is the amount to Microfinance subsidiary on mobilized term loans and deposits on behalf of the Bank as per SLA between MFSC and the Bank.

9. FOREIGN EXCHANGE INCOME

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Foreign exchange income	**38,660**	31,326	**37,861**	**30,428**

10. INCOME FROM SECURITY TRADING

Income from Security Trading	**6,313**	**11,698**	**6,313**	**11,698**

11 OTHER OPERATING INCOME

Rental income	**92**	149	**92**	149
Dividend income	**30**	-	**6,530**	-
FSDT Assets grant income (Note 38.1)	**1,039**	1,223	**1,039**	1,223
Mastercard grant income (Note 38.3)	**-**	1,706	**-**	-
MIVARF (Note 38.4)	**583**	691	**583**	691
Profit/ (Loss) on disposal of fixed assets	**388**	(736)	**362**	(885)
	2,132	3,033	**8,606**	1,178

12 OTHER OPERATING EXPENSES

Administrative expenses	**84,912**	99,433	**81,897**	95,153
Board Fees	**1,124**	1,231	**689**	801
Board Expenses	**2,881**	3,159	**1,902**	2,109
Auditors' fees	**894**	914	**809**	802
Communication and IT costs	**24,695**	21,800	**24,197**	21,625
Marketing and advertising expenses	**10,887**	15,169	**10,157**	10,375
Travelling costs	**11,256**	12,118	**10,652**	11,119
Utilities expenses	**4,401**	4,254	**4,239**	4,023
Repairs and Maintanance	**1,434**	1,391	**1,320**	1,324
Local taxes	**4,778**	3,831	**4,678**	3,817
Shareholders Meetings expenses	**1,651**	1,344	**1,567**	1,344
Impairment charge other assets (Note 28)	**10,186**	8,277	**8,467**	8,073
Other expenses	**2,805**	2,161	**2,577**	433
	161,904	175,082	**153,153**	160,998

13 DEPRECIATION AND AMORTISATION

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Depreciation of property and equipment (Note 30A)	**31,101**	30,210	**30,372**	29,473
Depreciation of Motor vehicles (Note 30B)	**3,876**	4,091	**3,481**	3,683
Amortization right-of-use assets (Note 30C)	**13,176**	-	**12,972**	-
Amortization of leasehold land (Note 31)	**316**	316	**316**	316
Amortization of intangible assets (Note 32)	**10,592**	8,664	**10,305**	8,381
	59,061	43,281	**57,446**	41,853

14 EMPLOYEE BENEFIT EXPENSES

Salaries and wages	**156,927**	141,620	**150,877**	130,132
Bonus	**20,075**	1,008	**19,456**	1,008
Social security contributions	**19,677**	17,206	**19,249**	16,107
Gratuity	**18,031**	13,226	**17,517**	12,271
Employee separation costs	**4,519**	334	**4,519**	334
Leave allowance	**7,250**	7,020	**7,057**	6,534
Medical expenses	**6,513**	5,953	**6,422**	5,616
Staff Welfare	**8,754**	9,061	**8,458**	8,775
Skills & Development Levy	**8,547**	7,236	**8,438**	6,882
Group Personal Accident	**1,235**	1,309	**1,225**	1,259
Staff Transfers	**1,349**	1,104	**1,349**	1,014
Staff award	**3,642**	2,386	**3,642**	2,344
Other staff costs	**3,998**	3,054	**3,919**	2,880
	260,517	210,517	**252,128**	195,156

15 INCOME TAX

(a) Income tax expense				
Current income tax – current year	**48,247**	38,204	**47,436**	37,325
Current income tax – prior years	**(25)**	2,077	**(25)**	2,159
Deferred tax – current year	**4,463**	(3,890)	**4,411**	(3,875)
Deferred tax – prior years	**1,854**	(1,406)	**470**	(1,406)
	54,540	34,985	**52,292**	34,203

(b) Income tax recoverable				
At 1 January	**16,842**	12,646	**13,915**	9,688
Payments made during the year	**49,024**	43,703	**48,871**	42,937
Charge to profit or loss	**(48,222)**	(40,281)	**(47,411)**	(39,484)
Withholding tax utilised	**1,319**	774	**1,338**	774
Closing balance	**18,962**	16,842	**16,713**	13,915

15 INCOME TAX (CONTINUED)

(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:

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Tax effect of:				
Depreciation on non-qualifying assets	**728**	789	**728**	765
Losses on sales of non-qualifying assets	**69**	-	**64**	-
Expenses not deductible for tax purposes	**645**	1,902	**641**	1,548
Under provisions of current tax in previous years	**(25)**	2,077	**(25)**	2,159
Over provision of deferred tax in previous years	**1,854**	(1,406)	**470**	(1,406)
Dividend received	**(1,950)**		**(1,950)**	
Other	**(253)**	1,888	**(118)**	-
Income tax expense	**54,540**	34,985	**52,292**	34,203
Effective tax rate	**31%**	35%	**30%**	33%

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.

16 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.

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Profit for the year (TZS'Million)	**120,145**	64,132	**122,646**	69,588
Number of shares ('Million)	**2,612**	2,612	**2,612**	2,612
Basic and diluted earnings per share (TZS)	**46.00**	24.55	**46.95**	26.64

There were no potentially dilutive ordinary shares outstanding as at 31 December 2019 (2018: Nil). Diluted earnings per share is the same as basic earnings per share.

17 DISTRIBUTION MADE AND PROPOSED

(Amount in TZS' Million)

	2019	2018
Cash dividends on ordinary shares declared:		
Dividend declared 2018 TZS 8 per share (2017:TZS 5 per share)	**20,896**	13,059
Proposed dividends on ordinary shares:		
Cash dividend for 2019:TZS 17 per share (2018:TZS 8 per share)	**44,404**	20,896

Non-cash distribution

There was no non-cash distribution during the year (2018:NIL)

The Directors propose payment of a dividend of TZS 17 per share, amounting to TZS 44.4 billion out of 2019 profit to be ratified at the Annual General Meeting to be held in May 2020. In May 2019, dividend of TZS 8 per share, amounting to TZS 20.9 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.

18 CASH AND BALANCES WITH CENTRAL BANKS

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Cash in hand	**333,796**	311,424	**329,341**	308,895
Clearing accounts with Central Banks	**89,625**	50,459	**83,527**	45,686
Statutory Minimum Reserves (SMR) *	**340,594**	339,108	**340,594**	336,582
	764,015	700,991	**753,462**	691,163

*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.

The required reserve ratio determined by the Bank of the Republic of Burundi is set at 3% of the total deposit liabilities.

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.

Cash in hand and balances with Central banks are non-interest bearing assets.

19 GOVERNMENT SECURITIES

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Treasury bills	**211,894**	111,601	**207,251**	106,132
Treasury bonds	**743,310**	646,104	**616,502**	594,622
Treasury bonds - ECL	**(4,026)**	(625)	**(4,026)**	(625)
Government securities at amortised cost	**951,178**	757,080	**819,727**	700,129
Government securities at FVOCI	**461,665**	481,003	**461,665**	481,003
	1,412,843	1,238,083	**1,281,392**	1,181,132

Treasury bills and bonds are debt securities issued by the Government. As at 31 December 2019, treasury bonds amounting to TZS 37,752 million (2018: TZS 54,500 million) had been pledged as collateral for various short term borrowings from other Banks. At 31 December 2019 and 2018, the fair values of the Treasury bills and bonds pledged were TZS 163,909 million and TZS 48,500 million respectively.

The maturity analysis of Government securities is as follows:

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Maturing within 3 months				
Treasury bills	**35,119**	5,469	**34,814**	-
Treasury bonds	**13,383**	1,792	**11,309**	409
Maturing after 3 months but within 12 months				
Treasury bills	**177,056**	106,132	**172,575**	106,132
Treasury bonds	**40,725**	68,071	**16,447**	47,925
Maturing after 12 months				
Treasury bonds	**1,146,560**	1,056,619	**1,046,247**	1,026,666
	1,412,843	1,238,083	**1,281,392**	1,181,132
Current	**266,283**	181,464	**235,145**	154,466
Non-current	**1,146,560**	1,056,619	**1,046,247**	1,026,666
	1,412,843	1,238,083	**1,281,392**	1,181,132

19 GOVERNMENT SECURITIES (CONTINUED)

An analysis of changes in the gross carrying amount in relation to government securities is, as follows:

	Amortised Cost TZS' Million	FVOCI TZS' Million	Total TZS' Million
GROUP			
As at 31 December 2019			
At start of year	**757,705**	**481,003**	**1,238,708**
Additions	**392,972**	**142,928**	**535,900**
Matured/sold	**(195,473)**	**(162,266)**	**(357,739)**
At end of year	**955,204**	**461,665**	**1,416,869**
ECL	**(4,026)**	**-**	**(4,026)**
Net government securities	**951,178**	**461,665**	**1,412,843**
As at 31 December 2018			
At start of year	698,291	406,256	1,104,547
Additions	397,713	186,135	583,848
Matured/sold	(338,299)	(111,388)	(449,687)
At end of year	757,705	481,003	1,238,709
ECL	(625)	-	(625)
Net government securities	757,080	481,003	1,238,083
BANK			
As at 31 December 2019			
At start of year	**700,754**	**481,003**	**1,181,757**
Additions	**283,734**	**142,928**	**426,662**
Matured/sold	**(160,735)**	**(162,266)**	**(323,001)**
At end of year	**823,753**	**461,665**	**1,285,418**
ECL	**(4,026)**	**-**	**(4,026)**
Net government securities	**819,727**	**461,665**	**1,281,392**
As at 31 December 2018			
At start of year	651,606	406,256	1,057,862
Additions	397,713	186,135	583,848
Matured/sold	(348,565)	(111,388)	(459,953)
At end of year	700,754	481,003	1,181,757
ECL	(625)	-	(625)
Net government securities	700,129	481,003	1,181,132

19 GOVERNMENT SECURITIES (CONTINUED)

An analysis of changes in the gross carrying amount in relation to government securities is, as follows:

GROUP Government securities at amortised cost	Stage 1 12-month ECL TZS' Million	Total TZS' Million
As at 31 December 2019		
Gross carrying amount as at 1 January 2019	**757,705**	**757,705**
Changes in the gross carrying amount		
New financial assets originated or purchased	**392,972**	**392,972**
Financial assets that have been derecognized	**(195,473)**	**(195,473)**
Gross carrying amount as at 31 December 2019	**955,204**	**955,204**
Loss allowance as at 31 December 2019	**4,026**	**4,026**
As at 31 December 2018		
Gross carrying amount as at 1 January 2018	698,291	698,291
Changes in the gross carrying amount		
New financial assets originated or purchased	397,713	397,713
Financial assets that have been derecognized	(338,299)	(338,299)
Gross carrying amount as at 31 December 2018	757,705	757,705
Loss allowance as at 31 December 2018	625	625

BANK Government securities at amortised cost	Stage 1 12-month ECL TZS' Million	Total TZS' Million
As at 31 December 2019		
Gross carrying amount as at 1 January 2019	**700,754**	**700,754**
Changes in the gross carrying amount		
New financial assets originated or purchased	**283,734**	**283,734**
Financial assets that have been derecognized	**(160,735)**	**(160,735)**
Gross carrying amount as at 31 December 2019	**823,753**	**823,753**
Loss allowance as at 31 December 2019	**4,026**	**4,026**
As at 31 December 2018		
Gross carrying amount as at 1 January 2018	651,606	651,606
Changes in the gross carrying amount		
New financial assets originated or purchased	397,713	397,713
Financial assets that have been derecognized	(348,565)	(348,565)
Gross carrying amount as at 31 December 2018	700,754	700,754
Loss allowance as at 31 December 2018	625	625

19 GOVERNMENT SECURITIES (CONTINUED)

An analysis of changes in the gross carrying amount in relation to Government securities is, as follows:

GROUP AND BANK Government securities at FVOCI	Stage 1 12-month ECL TZS' Million	Total TZS' Million
As at 31 December 2019		
Gross carrying amount as at 1 January 2019	**481,003**	**481,003**
Changes in the gross carrying amount		
New financial assets originated or purchased	**142,928**	**142,928**
Financial assets that have been derecognized	**(162,266)**	**(162,266)**
Gross carrying amount as at 31 December 2019	**461,665**	**461,665**
Loss allowance as at 31 December 2019	**4,026**	**4,026**
As at 31 December 2018		
Gross carrying amount as at 1 January 2018	406,256	406,256
Changes in the gross carrying amount		
New financial assets originated or purchased	186,135	186,135
Financial assets that have been derecognized	(111,388)	(111,388)
Gross carrying amount as at 31 December 2018	481,003	481,003
Loss allowance as at 31 December 2018	625	625

20 CORPORATE BONDS

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Carrying value	**4,520**	3,516	**4,520**	3,516
	4,520	3,516	**4,520**	3,516

On 28th May 2018, the Bank purchased a 5-year corporate bond valued at TZS 3.5 billion issued by Tanzania Mortgage Refinance Company (TMRC) at an annual interest rate of 11.8 percent.

21 LOANS AND ADVANCES TO BANKS

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Cheques and items for clearing	**13,870**	20,887	**13,087**	17,899
Nostro accounts balances	**83,674**	96,452	**78,896**	93,657
Placements with other banks	**226,759**	228,623	**255,419**	251,061
ECL allowances	**(626)**	(264)	**(626)**	(264)
	323,677	345,698	**346,776**	362,353
Maturity analysis				
Redeemable on demand				
- Cheques and items for clearing	**13,870**	20,887	**13,087**	17,899
- Nostro accounts balances	**83,674**	96,452	**78,896**	93,657
Placements with other banks				
- Maturing within 3 months	**226,759**	228,623	**233,191**	228,780
- Maturing after 3 months but within 12 months	**-**	-	**-**	11,790
- Maturity after 1 year	**-**	-	**22,228**	10,491
Less: ECL allowances	**(626)**	(264)	**(626)**	(264)
	323,677	345,698	**346,776**	362,353

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:

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
At start of year	**228,623**	131,479	**251,061**	153,330
Additions	**5,774,488**	6,617,444	**5,774,488**	6,617,445
Matured	**(5,776,352)**	(6,520,300)	**(5,770,130)**	(6,519,714)
At end of year	**226,759**	228,623	**255,419**	251,061
ECL	**(626)**	(264)	**(626)**	(264)
	226,133	228,359	**254,793**	250,797

21 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 Placement with other banks	Stage 1 12-month ECL TZS' Million	Total TZS' Million
Gross carrying amount as at 1 January 2019	**228,623**	**228,623**
Changes in the gross carrying amount		
New financial assets originated or purchased	**5,774,488**	**5,774,488**
Financial assets that have been derecognized	**(5,776,352)**	**(5,776,352)**
Gross carrying amount as at 31 December 2019	**226,759**	**226,759**
Loss allowance as at 31 December 2019	**626**	**626**
Gross carrying amount as at 1 January 2018	131,479	131,479
Changes in the gross carrying amount		
New financial assets originated or purchased	6,617,444	6,617,444
Financial assets that have been derecognized	(6,520,300)	(6,520,300)
Gross carrying amount as at 31 December 2018	228,623	228,623
Loss allowance as at 31 December 2018	264	264
Loss allowances -Placement with other banks		
Loss allowance as at 1 January 2019	**264**	**264**
Changes in the loss allowance	**362**	**362**
Loss allowance as at 31 December 2019	**626**	**626**
Loss allowance as at 1 January 2018	-	-
Changes in the loss allowance	264	264
Loss allowance as at 31 December 2018	264	264

21 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:

BANK Placement with other banks	Stage 1 12-month ECL TZS' Million	Total TZS' Million
Gross carrying amount as at 1 January 2019	**251,061**	**251,061**
Changes in the gross carrying amount		
New financial assets originated or purchased	**5,774,488**	**5,774,488**
Financial assets that have been derecognized	**(5,770,130)**	**(5,770,130)**
Gross carrying amount as at 31 December 2019	**255,419**	**255,419**
Loss allowance as at 31 December 2019	**626**	**626**
Gross carrying amount as at 1 January 2018	153,330	153,330
Changes in the gross carrying amount		
New financial assets originated or purchased	6,617,445	6,617,445
Financial assets that have been derecognized	(6,519,714)	(6,519,714)
Gross carrying amount as at 31 December 2018	251,061	251,061
Loss allowance as at 31 December 2018	264	264
Loss allowances - Placement with other banks		
Loss allowance as at 1 January 2019	**264**	**264**
Changes in the loss allowance	**362**	**362**
Loss allowance as at 31 December 2019	**626**	**626**
Loss allowance as at 1 January 2018	-	-
Changes in the loss allowance	264	264
Loss allowance as at 31 December 2018	264	264

21 LOANS AND ADVANCES TO CUSTOMERS

GROUP As at 31 December 2019	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
Term loans	**2,540,142**	**110,010**	**163,024**	**2,813,176**
Overdrafts	**540,016**	**18,478**	**37,439**	**595,933**
Staff loans	**131,048**	**824**	**114**	**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**
As at 31 December 2018				
Term loans	2,480,608	58,235	152,163	2,691,006
Overdrafts	430,076	4,925	66,487	501,488
Staff loans	116,781	822	3,281	120,884
Gross loans and advances to customers	3,027,465	63,982	221,931	3,313,378
Less: Provision for impairment	(59,001)	(6,761)	(120,883)	(186,645)
Net loans and advances to customers	2,968,464	57,221	101,048	3,126,733

BANK As at 31 December 2019	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
Term loans	**2,492,046**	**110,092**	**162,444**	**2,764,582**
Overdrafts	**534,788**	**17,979**	**37,149**	**589,916**
Staff loans	**128,812**	**824**	**114**	**129,750**
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**
As at 31 December 2018				
Term loans	2,416,918	57,092	151,651	2,625,661
Overdrafts	432,056	4,925	66,487	503,468
Staff loans	114,737	822	3,281	118,840
Gross loans and advances to customers	2,963,711	62,839	221,419	3,247,969
Less: Provision for impairment	(58,824)	(6,752)	(120,849)	(186,425)
Net loans and advances to customers	2,904,887	56,087	100,570	3,061,544

22 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Maturity analysis

The maturity analysis is based on the remaining periods to contractual maturity from year end.

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
- Maturity within 3 months	**180,515**	238,182	**179,780**	226,834
- Maturing after 3 months but within 12 months	**634,914**	426,704	**631,599**	415,355
- Maturity after 1 year	**2,566,595**	2,461,847	**2,514,234**	2,419,355
Net loans and advances to customers	**3,382,024**	3,126,733	**3,325,613**	3,061,544

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.

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Dar es Salaam zone	**1,757,267**	1,222,726	**1,753,675**	1,222,726
Mbeya zone	**402,863**	501,981	**402,863**	501,981
Lake zone	**618,673**	613,405	**618,673**	613,405
Zanzibar zone	**324,887**	323,719	**324,887**	323,719
Arusha zone	**384,150**	586,138	**384,150**	586,138
Burundi	**53,255**	65,409	**-**	-
Gross loans and advances to customers	**3,541,095**	3,313,378	**3,484,248**	3,247,969

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

22 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Analysis of impairment by industry;

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Agriculture	**44,152**	37,010	**44,152**	37,010
Financial Intermediaries	**1,308**	13,147	**1,308**	13,147
Hotels and restaurants	**2,971**	1,583	**2,971**	1,583
Personal (Private)	**47,498**	65,450	**47,498**	65,243
Trade	**18,600**	19,234	**18,600**	19,221
Transport and Communication	**3,396**	3,129	**3,396**	3,129
Mining and quarrying	**3,396**	29,844	**3,396**	29,844
Electricity	**25,397**	13,038	**25,397**	13,038
Building and Construction	**4,714**	1,844	**4,714**	1,844
Others	**7,639**	2,366	**7,203**	2,366
	159,071	186,645	**158,635**	186,425

Analysis of movement in the ECL;

GROUP As at 31 December 2019	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
At 1 January 2019	**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**
As at 31 December 2018				
At 1 January 2018 (restated)	30,709	7,313	213,981	252,003
Charge for the period	48,132	3,094	56,439	107,665
Write-offs	(19,840)	(3,646)	(149,537)	(173,023)
	59,001	6,761	120,883	186,645

Impairment charge to profit or loss related to loans and advaces to customers is broken down as follows;

As at 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**
As at 31 December 2018				
Impairment charges for credit losses	48,132	3,094	56,439	107,665
Loan terms modification	-	-	13,601	13,601
Amount recovered during the year	-	-	(5,943)	(5,943)
Charge to profit or loss	48,132	3,094	64,097	115,323

22 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Analysis of movement in the ECL;

BANK As at 31 December 2019	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
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**
As at 31 December 2018				
At 1 January 2018 (restated)	30,519	7,302	213,950	251,771
Charge for the period	48,145	3,096	56,118	107,359
Write-offs	(19,840)	(3,646)	(149,219)	(172,705)
	58,824	6,752	120,849	186,425

Impairment charge to profit or loss related to loans and advaces to customers is broken down as follows;

As at 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**
As at 31 December 2018				
Impairment charges for credit losses	48,145	3,096	56,118	107,359
Loan terms modification	-	-	13,601	13,601
Amount recovered during the year	-	-	(5,941)	(5,941)
Charge to profit or loss	48,145	3,096	63,778	115,019

23 OFF BALANCE SHEET FINANCIAL ASSETS

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to off balance sheet items is, as follows:

GROUP Financial guarantees and Letters of credit	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
Gross carrying amount as at 1 January 2019	**598,990**	**-**	**-**	**598,990**
Changes in the gross carrying amount	**944,223**	**-**	**-**	**944,223**
Gross carrying amount as at 31 December 2019	**1,543,213**	**-**	**-**	**1,543,213**
Loss allowance as at 31 December 2019	**114**	**-**	**-**	**114**
Gross carrying amount as at 1 January 2018	460,561	-	-	460,561
Changes in the gross carrying amount	138,429	-	-	138,429
Gross carrying amount as at 31 December 2018	598,990	-	-	598,990
Loss allowance as at 31 December 2018	5,222	-	-	5,222

Loss allowances -Financial guarantees and Letters of credit

Loss allowance as at 1 January 2019	**5,222**	**-**	**-**	**5,222**
Changes in the loss allowance	**(5,108)**	**-**	**-**	**(5,108)**
Loss allowance as at 31 December 2019	**114**	**-**	**-**	**114**
Loss allowance as at 1 January 2018	5,077	-	-	5,077
Changes in the loss allowance	145	-	-	145
Loss allowance as at 31 December 2018	5,222	-	-	5,222

23 OFF BALANCE SHEET FINANCIAL ASSETS (CONTINUED)

BANK Financial guarantees and Letters of credit	Stage 1 12-month ECL TZS' Million	Stage 2 Lifetime ECL TZS' Million	Stage 3 Lifetime ECL TZS' Million	Total TZS' Million
Gross carrying amount as at 1 January 2019	**597,116**	**-**	**-**	**597,116**
Changes in the gross carrying amount	**945,599**	**-**	**-**	**945,599**
Gross carrying amount as at 31 December 2019	**1,542,715**	**-**	**-**	**1,542,715**
Loss allowance as at 31 December 2019	**113**	**-**	**-**	**113**
Gross carrying amount as at 1 January 2018	460,318	-	-	460,318
Changes in the gross carrying amount	136,798	-	-	136,798
Gross carrying amount as at 31 December 2018	597,116	-	-	597,116
Loss allowance as at 31 December 2018	5,222	-	-	5,222

Loss allowances - Financial guarantees and Letters of credit

Loss allowance as at 1 January 2019	**5,222**	**-**	**-**	**5,222**
Changes in the loss allowance	**(5,109)**	**-**	**-**	**(5,109)**
Loss allowance as at 31 December 2019	**113**	**-**	**-**	**113**
Loss allowance as at 1 January 2018	5,077	-	-	5,077
Changes in the loss allowance	145	-	-	145
Loss allowance as at 31 December 2018	5,222	-	-	5,222

24 CREDIT CARDS

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Carrying amount	**1,335**	551	**1,335**	551
ECL allowance	**(23)**	(18)	**(23)**	(18)
Net Credit cards	**1,312**	533	**1,312**	533

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to credit cards is, as follows:

Group and Bank Credit Cards	Stage 1 12-month ECL TZS' Million	Total 2019 TZS' Million
Gross carrying amount as at 1 January 2019	**551**	**551**
Changes in the gross carrying amount	**784**	**784**
Gross carrying amount as at 31 December 2019	**1,335**	**1,335**
Loss allowance as at 31 December 2019	**23**	**23**
Loss allowance as at 1 January 2019	**18**	**18**
Changes in the loss allowance	**5**	**5**
Loss allowance as at 31 December 2019	**23**	**23**

25 NON CURRENT ASSETS HELD FOR SALE

	GROUP		BANK	
	2019	2018	2019	2018
Land and Equipment	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Carrying value	**16,600**	16,600	**16,600**	16,600
	16,600	16,600	**16,600**	16,600

On 28/02/2017 the High court of Tanzania issued a consent judgment whereby CRDB Bank Plc was permitted to sell a property located at Kihonda – Morogoro which was pledged as a collateral for a loan that was given to one of its customers, as a full and final settlement of the loan. The carrying value is based on the price offered by a counterparty for which the transaction has significantly progressed. There are several interested parties and the sale is expected to be completed before the end of December 2019. There is no impairment or reversal recorded against the non current assets held for sale.

26 IMPAIRMENT OF FINANCIAL ASSETS

GROUP	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at 31 December 2019	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Loans and advances	**(7,626)**	**5,503**	**98,137**	**96,014**
Government Securities	**348**	**-**	**-**	**348**
Placements	**258**	**-**	**-**	**258**
Credit card	**(8)**	**-**	**-**	**(8)**
Off Balance sheet	**(5,109)**	**-**	**-**	**(5,109)**
	(12,137)	**5,503**	**98,137**	**91,503**
As at 31 December 2018				
Loans and advances	48,132	3,094	64,097	115,323
Government Securities	(780)	-	-	(780)
Placements	(37)	-	-	(37)
Credit card	18	-	-	18
Off Balance sheet	145	-	-	145
	47,478	3,094	64,097	114,669

BANK

As at 31 December 2019				
Loans and advances	**(7,648)**	**5,509**	**98,137**	**95,998**
Government Securities	**348**	**-**	**-**	**348**
Placements	**258**	**-**	**-**	**258**
Credit card	**(8)**	**-**	**-**	**(8)**
Off Balance sheet	**(5,109)**	**-**	**-**	**(5,109)**
	(12,159)	**5,509**	**98,137**	**91,487**
As at 31 December 2018				
Loans and advances	48,145	3,096	63,778	115,019
Government Securities	(780)	-	-	(780)
Placements	(37)	-	-	(37)
Credit card	18	-	-	18
Off Balance sheet	145	-	-	145
	47,491	3,096	63,778	114,365

27 EQUITY INVESTMENTS AT FVOCI

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Investment in Tanzania Mortgage Refinance Company (TMRC)	**4,652**	3,893	**4,652**	3,893
Investment in Dar es Salaam Stock Exchange (DSE)	**321**	459	**321**	459
Investment in Tandahimba Community Bank (TACOBA)	**3,040**	2,661	**3,040**	2,661
Burundi National switch	**122**	-	**-**	-
	8,135	7,013	**8,013**	7,013

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 2019 was 17.14% (2018: 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 2019 was 1.6% (2018: 1.6%).

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 2019, mainly being savings and time deposits. The percentage shareholding of the Bank in TACOBA as at 31 December 2019 was 7.7% (2018: 7.7%).

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 2019 was 0.52% (2018: Nil).

The FVOCI designation was made because the investments are expected to be held for the long term for strategic purposes.

In 2019, the Group and Bank received dividends of TZS 30 million (2018: 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 2019. The Bank did not have any debt instruments measured at FVOCI which were pledged as collateral as at 31 December 2019 (2018: nil).

The fair value of unquoted equity investments (TACOBA and Burundi National Switch) are estimated using discounted cash flow techniques. The following methods and assumptions were used to estimate fair values:

- Since the investment in TACOBA is a redeemable preference share that is due for redemption or convertibility option by end of June 2020, the cashflow projection of the investment has of the remaining 6 months has been considered;
- Annual growth rate on the Compounded Annual Growth Rate (CAGR) formula; and
- A discount rate of 16% per annum.

28 OTHER ASSETS

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Advance payment for capital expenditure	**9,721**	5,559	**9,721**	4,688
Prepaid expenses	**92,443**	88,283	**88,361**	85,191
Bank card stock	**1,156**	2,984	**1,156**	2,984
Stationery stock	**2,118**	1,453	**2,118**	1,453
Due from a related party (Note 47)*	**-**	-	**-**	312
Receivable from mobile phone companies*	**78,751**	43,216	**78,751**	43,216
Bills receivable*	**-**	46	**-**	46
Other receivables*	**34,058**	21,237	**32,649**	20,515
Less: Provision for impairment	**(14,969)**	(13,433)	**(12,927)**	(12,760)
	203,278	149,345	**199,829**	144,192

*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.

All other assets are current.

Maturity analysis				
Maturing after one month but within 3 months	**193,557**	143,786	**190,108**	139,504
Maturing after 3 months but within 12 months	**9,721**	5,559	**9,721**	4,688
	203,278	149,345	**199,829**	144,192

Movement in provision for impairment on other assets is as shown below:

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
At 1 January	**13,433**	6,842	**12,760**	6,358
Increase during the year	**10,186**	8,277	**8,467**	8,073
Write-offs	**(8,650)**	(1,686)	**(8,300)**	(1,671)
At 31 December	**14,969**	13,433	**12,927**	12,760

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 2019 is based on the payments that the bank has received in the year 2019 in respect to December 2018 receivables.

29 INVESTMENT IN SUBSIDIARIES

			BANK	
	Country of Incorporation	Interest Held	2019 TZS' Million	2018 TZS' Million
CRDB Microfinance Service Company Limited	Tanzania	100%	**728**	728
CRDB Insurance Broker	Tanzania	100%	**100**	100
CRDB Bank Burundi S.A	Burundi	100%	**21,583**	21,583
			22,411	22,411

The countries of incorporation is 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.

The CRDB Insurance Broker Ltd was incorporated in the United Republic of Tanzania on 12th April 2016 under the Companies Act No. 12 of 2002 as a private company limited by shares and it is wholly owned by CRDB Bank Plc.

The subsidiaries listed above has share capital consisting solely of ordinary shares.

There are no contingent liabilities relating to the Bank's interest in the subsidiaries.

30A PROPERTY AND EQUIPMENT

Amounts are in TZS'Million

GROUP Year 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**	**6,154**	**2,759**	**10,397**	**610**	**9,700**	**33,095**
Reclassification/Reversal	**3,999**	**1,565**	**(2,678)**	**102**	**-**	**4**	**(2,992)**	**-**
Released on revaluation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Disposals	**-**	**(763)**	**(160)**	**(16)**	**(637)**	**-**	**-**	**(1,576)**
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/Reversal	(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.

30A PROPERTY AND EQUIPMENT (CONTINUED)

Amounts are in TZS'Million

GROUP Year 2018	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smartcard equipment	Security equipment	Work in progress	Total
Cost								
At 1 January	70,372	82,601	76,674	47,032	38,054	5,737	52,040	372,510
Additions	2,501	7,508	7,724	2,660	8,505	634	62,563	92,125
Reclassification/Reversal	541	4,997	(1,002)	1,911	1,061	213	(7,462)	259
Disposals	(2)	(3,170)	(109)	-	-	(4)	-	(3,285)
At 31 December	73,412	91,936	83,287	51,603	47,620	6,580	107,141	461,579
Depreciation								
At 1 January	(11,037)	(47,924)	(46,557)	(27,406)	(18,916)	(3,267)	-	(155,107)
Reclassification/Reversal	(8,631)	8,631	2,459	(1,665)	(883)	(70)	-	(159)
Charge for the year	(1,773)	(7,499)	(8,422)	(7,113)	(4,349)	(1,054)	-	(30,210)
Disposal	-	2,298	98	-	-	4	-	2,400
At 31 December	(21,441)	(44,494)	(52,422)	(36,184)	(24,148)	(4,387)	-	(183,076)
Net book value	51,971	47,442	30,865	15,419	23,472	2,193	107,141	278,503

Work in progress relates to the Bank's buildings under construction.

30A PROPERTY AND EQUIPMENT (CONTINUED)

Amounts are in TZS'Million

BANK Year 2019	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smartcard 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/Reversal	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/Reversal	(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.

30A PROPERTY AND EQUIPMENT (CONTINUED)

Amounts are in TZS'Million

BANK Year 2018	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smart card equipment	Security equipment	Work in progress	Total
Cost								
At 1 January	61,392	78,431	73,873	46,448	37,847	5,736	51,976	355,703
Additions	2,501	7,508	7,669	2,610	8,505	634	61,834	91,291
Reclassification/Reversal	542	4,909	(1,002)	1,907	1,061	213	(7,472)	158
Disposals	-	(3,168)	(109)	-	-	(4)	-	(3,281)
At 31 December	64,435	87,680	80,431	50,965	47,413	6,579	106,338	443,841
Depreciation								
At 1 January	(10,918)	(45,146)	(44,344)	(229,957)	(18,794)	(3,267)	-	(149,467)
Charge for the year	(1,546)	(7,285)	(8,192)	(7,065)	(4,329)	(1,056)	-	(29,473)
Reclassification/Reversal	-	6	2,405	(1,662)	(883)	(70)	-	(204)
Disposals	-	2,297	97	-	-	4	-	2,398
At 31 December	(12,464)	(50,128)	(50,034)	(35,725)	(24,006)	(4,389)	-	(176,746)
Net book value	51,971	37,552	30,397	15,240	23,407	2,190	106,338	267,095

Work in progress relates to the Bank's buildings under construction.

30B MOTOR VEHICLES AND MOBILE BRANCHES

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Cost				
At 1 January	**32,831**	33,199	**30,133**	30,213
Additions	**3,250**	447	**2,777**	447
Disposals	**(1,950)**	(813)	**(1,537)**	(527)
Revaluation adjustment	**(17,803)**	-	**(17,803)**	-
At 31 December	**16,328**	32,833	**13,570**	30,133
Depreciation				
At 1 January	**(20,961)**	(17,537)	**(19,445)**	(16,161)
Charge for the year	**(3,876)**	(4,091)	**(3,481)**	(3,683)
Disposals	**1,278**	667	**944**	399
Revaluation adjustment	**21,666**	-	**21,666**	-
At 31 December	**(1,893)**	(20,961)	**(316)**	(19,445)
Net book value	**14,435**	11,872	**13,254**	10,688

The Group's Mobile branches and Motor vehicles were revalued in August 2019 and December 2019 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. None of the property and equipment is pledged as security for liabilities.

There were no capitalized borrowing costs related to the acquisition of property and equipment during the year ended 31 December 2019 (2018 : Nil).

If motor vehicles were stated on the historical cost basis, the amounts would be as follows:

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Cost	**35,384**	23,780	**32,670**	21,315
Accumulated Depreciation	**(29,403)**	(17,831)	**(26,760)**	(15,432)
Net book value	**5,981**	5,949	**5,910**	5,883

Included in property and equipment are assets with a gross value of TZS 73,229 million (2018: TZS 47,262 million) which were fully depreciated but still in use. The notional depreciation charge on these assets would have been TZS 12,456 million (2018: TZS 9,452 million).

None of the property and equipment is pledged as security for liabilities as at 31 December 2019 (2018: NIL).

There were no idle assets as at 31 December 2019 (2018: NIL).

30B MOTOR VEHICLES AND MOBILE BRANCHES (CONTINUED)

Non-finanical assets measured at fair value	GROUP		BANK	
	2019	2018	2019	2018
Fair value hierarchy – Level 3	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Motor vehicles	**11,200**	10,047	**10,020**	8,865
Mobile branches	**3,235**	1,825	**3,234**	1,823
Net book value	**14,435**	11,872	**13,254**	10,688

30C RIGHT OF USE OF ASSETS

GROUP	2019	
	Buildings TZS' Million	Total TZS' Million
Cost		
At 1 January	**-**	**-**
Effect of adoption of IFRS 16 as at 1 January 2019	**49,574**	**49,574**
Additions	**2,777**	**2,777**
At 31 December	**52,351**	**52,351**
Depreciation		
At 1 January	**-**	**-**
Charge for the year	**(13,176)**	**(13,176)**
At 31 December	**(13,176)**	**(13,176)**
Net book value	**39,175**	**39,175**

BANK		
Cost		
At 1 January	**-**	**-**
Effect of adoption of IFRS 16 as at 1 January 2019	**49,574**	**49,574**
Additions	**1,727**	**1,727**
At 31 December	**51,301**	**51,301**
Depreciation		
At 1 January	**-**	**-**
Charge for the year	**(12,972)**	**(12,972)**
At 31 December	**(12,972)**	**(12,972)**
Net book value	**38,329**	**38,329**

31 LEASEHOLD LAND

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Cost Prepaid				
At 1 January	**11,902**	11,766	**11,902**	11,766
Additions	**50**	121	**50**	121
Transfer	**-**	15	**-**	15
At 31 December	**11,952**	11,902	**11,951**	11,902
Amortization				
At 1 January	**(1,330)**	(1,014)	**(1,330)**	(1,014)
Charge for the year	**(316)**	(316)	**(316)**	(316)
At 31 December	**(1,646)**	(1,330)	**(1,646)**	(1,330)
Net book value	**10,306**	10,572	**10,306**	10,572

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.

32 INTANGIBLE ASSETS

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Cost				
At 1 January	**82,188**	72,522	**78,347**	68,845
Additions	**4,118**	13,459	**4,027**	13,269
Disposals / Retirement	**(37)**	(3,793)	**-**	(3,767)
At 31 December	**86,269**	82,188	**82,374**	78,347
Amortization				
At 1 January	**(39,617)**	(34,785)	**(36,811)**	(32,229)
Charge for the year	**(10,592)**	(8,664)	**(10,305)**	(8,381)
Disposals/ Retirement	**-**	3,832	**-**	3,799
At 31 December	**(50,209)**	(39,617)	**(47,116)**	(36,811)
Net book value at 31 December	**36,060**	42,571	**35,258**	41,536

All intangible assets are in use.

Intangible assets relate to computer software used by the Group. Fully depreciated intangible assets with gross value TZS 15,243 million (2018: TZS 13,581 million) are still in use. The notional depreciation charge would have been TZS 3,049 million (2018: TZS 2,716 million). Some fully depreciated software's are; internet Banking suit, financial crimes software, Net recovery system.

No intangible asset was pledged as security for liabilities as at 31 December 2019. There also no restrictions other than those outlined in the software license. As at 31 December 2019, there were no significant intangible assets controlled by the entity which have not been recognized as assets.

33 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:

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
At 1 January	**86,515**	75,627	**85,087**	74,214
(Debit)/ Credit to profit or loss				
In respect to current year (Note 15a)	**(4,463)**	3,890	**(4,411)**	3,875
Under provision in prior year (Note 15a)	**(1,854)**	1,406	**(470)**	1,406
Credit to Retained earnings - Impact of IFRS 9 adoption	**-**	8,931	**-**	8,931
Debit to OCI				
Charge to other comprehensive income	**1,751**	(3,339)	**1,751**	(3,339)
At 31 December	**81,950**	86,515	**81,957**	85,087

Deferred income tax asset/(liability) is attributed to the following items:

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Accelerated capital allowance	**(8,915)**	(7,434)	**(8,902)**	(7,468)
Provisions	**89,805**	94,642	**89,800**	93,248
Unrealised gain/(loss) on debt instrument at fair value through OCI	**(7,873)**	(9,624)	**(7,873)**	(9,624)
ECL day 1 adjustment - IAS 39 to IFSR9 transition	**8,932**	8,931	**8,932**	8,931
	81,950	86,515	**81,957**	85,087
Current deferred tax asset*	**7,215**	8,208	**7,215**	7,491
Non-current deferred tax asset	**74,734**	78,307	**74,742**	77,596
	81,950	86,515	**81,957**	85,087

*Deferred tax expected to reverse in the next 12 months

34 DEPOSITS FROM CUSTOMERS

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Current and demand accounts	**2,231,679**	2,092,131	**2,165,610**	2,051,072
Savings accounts	**1,869,414**	1,743,081	**1,844,273**	1,727,018
Term deposits	**1,101,154**	851,962	**1,058,960**	805,000
	5,202,247	4,687,174	**5,068,843**	4,583,090
Current deposits	**5,159,766**	4,579,301	**5,027,582**	4,475,345
Non-current deposits	**42,481**	107,873	**41,261**	107,745
	5,202,247	4,687,174	**5,068,843**	4,583,090

Savings accounts, term deposits and some current and demand deposits are interest bearing accounts. These interest bearing customer deposit accounts carry variable interest rates.

Repayable on demand	**4,396,020**	4,078,162	**4,304,449**	4,015,353
Maturing within 3 months	**372,503**	229,432	**348,050**	210,123
After 3 months but within 1 year	**391,243**	271,707	**375,083**	249,869
Maturing after 1 year	**42,481**	107,873	**41,261**	107,745
	5,202,247	4,687,174	**5,068,843**	4,583,090

35 DEPOSITS FROM BANKS

Deposits from banks	**25,195**	3,994	**6,498**	3,994

All deposits from banks are current.

36A OTHER LIABILITIES

Bills payable	**1,590**	1,200	**734**	761
Dividend payable	**8,409**	7,860	**8,409**	7,860
Accrued expenses	**48,793**	31,038	**46,794**	30,373
Due to related parties (Note 46)	**-**	-	**3,635**	12,164
Deferred income	**21,740**	14,041	**21,428**	13,628
Outstanding credits	**3,464**	8,876	**3,304**	8,749
Unclaimed customer balances	**6,594**	2,674	**6,521**	2,068
ECL Off-balance sheet items	**114**	5,222	**113**	5,222
Other payables	**24,107**	26,609	**23,703**	25,025
	114,811	97,520	**114,641**	105,850

- 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.

36B LEASE LIABILITIES

The Group leases various branch premises and offices under non-cancellable operating 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:

	GROUP	BANK
Year ended 31 December 2019	**TZS' Million**	**TZS' Million**
As at 1 January – effect of adoption of IFRS 16 (Note 2)	**49,574**	**49,574**
Additions	**1,727**	**1,727**
Interest expense	**2,615**	**2,553**
Payments	**(14,138)**	**(14,951)**
At 31 December	**39,778**	**38,903**

The Bank had total cash outflows for leases of 14,951 million. The initial application of IFRS 16 resulted in non-cash additions to right-of-use assets and lease liabilities of TZS 49,574 million at 1 January 2019.

37 PROVISIONS

	GROUP		BANK	
	2019	**2018**	**2019**	**2018**
	TZS' Million	**TZS' Million**	**TZS' Million**	**TZS' Million**
Provision for litigation				
At 1 January	**4,041**	3,231	**4,041**	3,231
Additional provisions	**638**	1,404	**638**	1,404
Amount paid in the year	**(8)**	(594)	**(8)**	(594)
At 31 December	**4,671**	4,041	**4,671**	4,041

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 4,671 million (2018:TZS 4,041 million). For cases whose outcomes are uncertain, contingent liabilities have been considered as disclosed in Note 44. According to the nature of such disputes the outcome and timing of settlement of these cases is uncertain.

38 GRANTS

	GROUP		BANK	
	2019	**2018**	**2019**	**2018**
	TZS' Million	**TZS' Million**	**TZS' Million**	**TZS' Million**
Grant amount receivable	**-**	1,054	**-**	-
Grant amount utilised	**(1,622)**	(5,248)	**(1,623)**	(3,543)
Write-off against grant receivable	**(370)**	-	**(370)**	
Foreign exchange difference	**-**	50	**-**	51
At 31 December	**7,985**	9,977	**7,921**	9,914

38.1 FSDT GRANTS

At 1 January	**5,903**	7,095	**5,903**	7,095
Grant amount utilised	**(1,039)**	(1,223)	**(1,039)**	(1,223)
Foreign exchange difference	**-**	31	**-**	31
At 31 December	**4,864**	5,903	**4,864**	5,903

38 GRANTS (CONTINUED)

38.1 FSDT GRANT (CONTINUED)

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.

38.2 MASTERCARD GRANT

On 1st September 2017, CRDB MFSCL signed a two-year funding agreement with the MasterCard Foundation Fund for Rural Prosperity (FRP) amounting to USD 970,810 as a grant aimed at scaling up of existing or new financial solutions to rural and agricultural markets through SIMAccount project. As at 31 December 2019 the amount receivable as per the agreed activities was TZS 238 million.

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
At 1 January	**63**	-	**-**	-
Grant amount received	**-**	715	**-**	-
Grant amount receivable	**-**	1,054	**-**	-
Grant amount utilised	**-**	(1,706)	**-**	-
At 31 December	**63**	63	**-**	-

There are no conditions attached to the grant during the year.

38.3 MIVARF ASSET GRANT

At 1 January	**4,011**	5,504	**4,011**	5,504
Grant amount utilised	**(583)**	(691)	**(583)**	(691)
Transfer from MFSCL to parent	**-**	-	**-**	-
Write-off against grant receivable	**(370)**	(802)	**(370)**	(802)
At 31 December	**3,058**	4,011	**3,058**	4,011

On 2 January 2016, 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.

There are no conditions attached to the grant during the year.

39 BORROWINGS

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
IFC borrowing	**-**	56,102	**-**	56,102
TMRC borrowing	**27,085**	27,085	**27,085**	27,085
AfDB borrowing	**176,148**	211,506	**176,148**	211,506
TIB borrowing	**3,137**	4,263	**3,137**	4,263
EIB borrowing	**90,722**	125,730	**90,722**	125,730
FSDT borrowing	**-**	1,975	**-**	1,975
	297,092	426,661	**297,092**	426,661
Current	**27,085**	56,102	**27,085**	56,102
Non-current	**270,007**	370,559	**270,007**	370,559
	297,092	426,661	**297,092**	426,661

39.1 IFC BORROWING

At 1 January	**56,102**	72,922	**56,102**	72,922
Interest charge for the year	**1,684**	3,745	**1,684**	3,745
Interest paid in the year	**(2,630)**	(4,080)	**(2,630)**	(4,080)
Principal repayment during the year	**(55,156)**	(18,388)	**(55,156)**	(18,388)
Foreign Exchange difference	**-**	1,903	**-**	1,903
At 31 December	**-**	56,102	**-**	56,102

The Bank secured a Senior debt facility from International Financial Corporation (IFC) amounting to US$ 75 million in 2014 composing of the Long term portion of USD 40 million for SME support, a short term portion of USD 25 million for Agri-business support and a trade line of USD 10 million. The SME facility part of US$ 40 million, which was disbursed in two equal tranches, the first tranche disbursed in June 2014 and the second tranche in May 2015. The short term facility for agriculture financing of US$ 25 million received by the Bank in June 2014 was rolled over for three consecutive years, before it was further enhanced to USD 40 million post impressive performance and a market need. Group and Bank were compliant with all the lender's covenants. As at 31 July 2019, the Bank had fully repaid the IFC loan.

39.2 AFDB BORROWING

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
At 1 January	**211,506**	206,128	**211,506**	206,128
Loan repaid during the year	**(34,500)**	-	**(34,500)**	-
Interest charge for the year	**9,952**	11,144	**9,952**	11,144
Interest paid in the year	**(10,726)**	(11,144)	**(10,726)**	(11,144)
Foreign exchange difference	**(84)**	5,378	**(84)**	5,378
At 31 December	**176,148**	211,506	**176,148**	211,506

In April 2018 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 2019, the Group and Bank were compliant with all the lender's covenants.

39 BORROWINGS (CONTINUED)

39.3 EIB BORROWING

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
At 1 January	**125,730**	159,956	**125,730**	159,956
Interest charge for the year	**10,983**	14,612	**10,983**	14,612
Interest paid in the year	**(11,765)**	(14,612)	**(11,765)**	(14,612)
Principal repayment during the year	**(34,226)**	(34,226)	**(34,226)**	(34,226)
At 31 December	**90,722**	125,730	**90,722**	125,730

The Bank entered into a facility agreement with European Investment Bank (EIB) for a credit line of about Euro 55 million (To be availed in TZS) 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 2019, the Group and Bank were compliant with all the lender's covenants.

39.4 TMRC BORROWING

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
At 1 January	**27,085**	27,105	**27,085**	27,105
Interest charge for the year	**2,554**	2,800	**2,554**	2,800
Interest paid in the year	**(2,554)**	(2,820)	**(2,554)**	(2,820)
At 31 December	**27,085**	27,085	**27,085**	27,085

As at 31 December 2019, the Group and Bank were compliant with all the lender's covenants.

39.5 FSDT BORROWING

At 1 January	**1,975**	4,042	**1,975**	4,042
Interest charge for the year	**43**	120	**43**	120
Interest paid during the year	**(43)**	(134)	**(43)**	(134)
Principal repayment during the year	**(1,975)**	(2,053)	**(1,975)**	(2,053)
At 31 December	**-**	1,975	**-**	1,975

On 27th August 2012, The Bank received loan facility of USD 2.8 million from the Financial Sector Deepening Trust (FSDT).The loan is for a period of seven (7) years with a four (4) year grace period from the drawdown date in the payment of the principal and interest rate. The loan is to be utilized to increase services outreach through a blend of retail microfinance and wholesale methodologies and build sustainable partnerships with service delivery partners in furthering services to more remote rural areas.

As at 31 December 2019, the Group and Bank were compliant with all the lender's covenants.

39 BORROWINGS (CONTINUED)

39.6 TIB BORROWING

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
At 1 January	**4,263**	5,410	**4,263**	5,410
Interest charge for the year	**286**	354	**286**	354
Interest paid in the year	**(286)**	(375)	**(286)**	(375)
Principal repayment during the year	**(1,126)**	(1,126)	**(1,126)**	(1,126)
At 31 December	**3,137**	4,263	**3,137**	4,263

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 2019, 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:

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Cash and Cash equivalents	**747,098**	703,651	**737,416**	690,723
Borrowings repayable within one year	**-**	(56,102)	**-**	(56,102)
Borrowings repayable after one year	**(297,092)**	(370,559)	**(297,092)**	(370,559)
Net debt	**450,006**	276,990	**440,324**	264,062
Cash and Cash equivalents	**747,098**	703,651	**737,416**	690,723
Gross debt - fixed interest rate	**(297,092)**	(370,559)	**(297,092)**	(370,559)
Gross debt - variable interest rate	**-**	(56,102)	**-**	(56,102)
Net debt	**450,006**	276,990	**440,324**	264,062

(Amount in TZS'Million)

	Assets	Liabilities from financing activities		
	Cash and Cash equivalents	Borrowing due within 1 year	Borrowing due after 1 year	Total
GROUP				
At 1 January 2019	**703,651**	**(56,102)**	**(370,559)**	**276,990**
Cashflows	**43,447**	**56,102**	**73,467**	**173,016**
Net debt	**746,602**	**-**	**(297,092)**	**450,006**
BANK				
At 1 January 2019	**690,723**	**(56,102)**	**(370,559)**	**264,062**
Cashflows	**46,693**	**56,102**	**73,467**	**176,262**
Net debt	**746,602**	**-**	**(297,092)**	**440,324**

40 SUBORDINATED DEBT

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
At 1 January	**32,400**	89,583	**32,400**	89,583
Principal repayment during the year	**-**	(57,463)	**-**	(57,463)
Interest charge for the year	**2,400**	6,656	**2,400**	6,656
Interest paid in the year	**(2,402)**	(6,669)	**(2,402)**	(6,669)
Foreign exchange difference	**2**	293	**2**	293
At 31 December	**32,400**	32,400	**32,400**	32,400
Non-current	**30,000**	30,000	**30,000**	30,000
Current	**2,400**	2,400	**2,400**	2,400
	32,400	32,400	**32,400**	32,400

The Bank received subordinated loans from DANIDA Investment Fund (DIF) and Deutsche investitionsund entwicklungsgesellschaft mbh a subsidiary of KFW (DEG) in 2015. These facilities are coming with the five years grace period to qualify for the subordination to capital as per regulatory requirement. In July 2019, subordinated loans from KFW (DEG) was fully paid. Subordinated loan from DANIDA Investment Fund (DIF loans is still under grace period with annual and quarterly interest rates payments.

As at 31 December 2019, the Group and Bank were compliant with all the lender's covenants.

41 SHARE CAPITAL

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
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 (2018: 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.

42 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.

Regulatory Banking risk reserve

General Banking risk reserve represents the surplus of loan provision computed as per the Bank of Tanzania regulations over the impairment of loans and advances determined for IFRS purposes. This is a non-distributable reserve.

42 RESERVES (CONTINUED)

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 2019, 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, 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.

	2019			2018		
	Motor vehicles	Debt instrument at fair value through OCI	Total	Motor vehicles	Debt instrument at fair value through OCI	Total
	TZS' Million	TZS' Million	TZS' Million	TZS' Million	TZS' Million	TZS' Million
GROUP						
At 1 January	**679**	**24,336**	**25,015**	958	14,664	15,622
Increase during the year	**3,861**	**(4,087)**	**(226)**	-	7,967	7,967
Release to retained earnings (net of deferred tax)	**(357)**	**-**	**(357)**	(279)	-	(279)
Other movements	**-**	**(607)**	**(607)**	-	1,705	1,705
At 31 December	**4,183**	**19,942**	**23,825**	679	24,336	25,015

The revaluations reserve movements are as shown below:

BANK						
At 1 January	**267**	**24,337**	**24,604**	470	14,665	15,135
Increase during the year	**3,861**	**(4,087)**	**(226)**	-	7,967	7,967
Release to retained earnings (net of deferred tax)	**243**	**-**	**(243)**	(203)	-	(203)
Other movements	**-**	**(607)**	**(607)**	-	1,705	1,705
At 31 December	**3,885**	**19,643**	**23,528**	267	24,337	24,604

43 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	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Cash in hand (Note 18)	**333,796**	311,424	**329,341**	308,895
Balances with Central banks (Note 18)	**89,625**	50,459	**83,527**	45,686
Loans and advances to banks (Note 21)	**323,677**	341,768	**324,548**	336,142
	747,098	703,651	**737,416**	690,723

44 FINANCIAL INSTRUMENTS BY CATEGORY

(Amounts in TZS' Millions)

GROUP At 31 December 2019	Amortised cost	At fair value through OCI	Total
Financial assets			
Cash and balances with Central Banks	**764,015**	**-**	**764,015**
Loans and advances to banks	**323,677**	**-**	**323,677**
Loans and advances to customers	**3,541,095**	**-**	**3,541,095**
Government securities	**951,178**	**461,665**	**1,412,843**
Corporate bonds	**4,520**	**-**	**4,520**
Credit cards	**1,312**	**-**	**1,312**
Equity investment at FVOCI	**-**	**8,135**	**8,135**
Other assets	**97,840**	**-**	**97,840**
	5,683,637	**469,800**	**6,153,437**
At 31 December 2018			
Financial assets			
Cash and balances with Central Banks	700,991	-	700,991
Loans and advances to banks	345,698	-	345,698
Loans and advances to customers	3,313,378	-	3,313,378
Government securities	757,080	481,003	1,238,083
Corporate bonds	3,516	-	3,516
Credit cards	533	-	533
Equity investment at FVOCI	-	7,013	7,013
Other assets	52,519	-	52,519
	5,173,715	488,016	5,661,731

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

	2019	2018
Financial liabilities at amortised cost		
Deposits from banks	**25,195**	3,994
Deposits customers	**5,202,247**	4,687,174
Lease liabilities	**39,778**	-
Other liabilities	**93,071**	61,565
Subordinated debt	**32,400**	32,400
Borrowings	**297,092**	426,661
	5,689,783	5,211,794

44 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

(Amounts in TZS' Millions)

BANK At 31 December 2019	Amortised cost	At fair value through OCI	Total
Financial assets			
Cash and balances with Central Banks	**753,462**	**-**	**753,462**
Loans and advances to banks	**346,776**	**-**	**346,776**
Loans and advances to customers	**3,484,248**	**-**	**3,484,248**
Government securities	**819,727**	**461,665**	**1,281,392**
Corporate bonds	**4,520**	**-**	**4,520**
Credit cards	**1,312**	**-**	**1,312**
Equity investment at FVOCI	**-**	**8,013**	**8,013**
Other assets	**98,473**	**-**	**98,473**
	5,508,518	**469,678**	**5,978,196**

At 31 December 2018			
Financial assets			
Cash and balances with Central Banks	691,163	-	691,163
Loans and advances to banks	362,353	-	362,353
Loans and advances to customers	3,247,969	-	3,247,969
Government securities	700,129	481,003	1,181,132
Corporate bonds	3,516	-	3,516
Credit cards	533	-	533
Equity investment at FVOCI	-	7,013	7,013
Other assets	51,329	-	51,329
	5,056,992	488,016	5,545,008

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).

	2019	2018
Financial liabilities at amortised cost		
Deposits from banks	**6,498**	3,994
Deposits customers	**5,068,843**	4,583,090
Lease liabilities	**38,903**	-
Other liabilities	**93,213**	70,309
Subordinated debt	**32,400**	32,400
Borrowings	**297,092**	426,661
	5,536,950	5,116,454

45 CONTINGENT LIABILITIES

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Guarantees and indemnities	**1,218,686**	452,211	**1,218,357**	450,337
Letters of credit	**187,598**	146,779	**187,598**	146,779
Legal claims	**4,671**	4,041	**4,671**	4,041
	1,410,955	603,031	**1,410,626**	601,157

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 36. Contingent liabilities arise for cases for which the outcome cannot be reliably determined as at the date of signing these financial statements.

46 COMMITMENTS

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Commitments to extend credit	**164,623**	97,972	**160,798**	97,972
Capital commitments				
Authorised and contracted for	**16,920**	32,815	**16,920**	32,815
Authorised and not yet contracted for	**863**	3,200	**863**	3,200
	17,783	36,015	**17,783**	36,015

Capital commitments authorised and contracted for are in respect of;

Construction/refurbishment cost for branches/service centres; LAPF Mwanza, Mkwawa, Chakechake Pemba, Mwanjelwa, Tarakea, Mwaloni, Ruangwa, Mlimani City, Mlandizi, Rlocation of Chato br., Kibaha, Mbezi luis, Zanzibar, Mwananyamala, Kahama, Nachingwea, Oysterbay, Mkuranga, Arusha, Mbinga, Tanga, Songea, Mbalizi, Mbeya, UDOM, Kibondo service centre, Bariadi, Mkwajuni, Kibamba, and New HQ building.

Capital commitments authorised and not yet contracted for; Mabwepande archiving solution project and Bank academy at Kiromo.

47 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:

	Companies associated with Directors		Directors and other key management personnel	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Loans and advances to related parties				
At 1 January	**159**	200	**5,261**	5,202
Net movement during the year	**1,472**	(41)	**557**	59
At 31 December	**1,631**	159	**5,818**	5,261
Interest earned	**192**	24	**343**	254
Current	**23**	159	**-**	56
Non-current	**1,608**	-	**5,818**	5,205
	1,631	159	**5,818**	5,261

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. As at 31 December 2019, the Group and Bank held collateral valued at TZS 1,800 million (2018: TZS 4,292 million).

Loans to non-executive directors were issued on commercial terms. These loans are payable on demand.

Loans and advances to related parties fall under Stage 1 and the ECL for these loans and advances amount to TZS 136 million (2018: TZS 103 million).

Deposits from related parties

	Companies associated with Directors		Directors and other key management personnel	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
At 1 January	**9**	15	**592**	3,182
Net movement during the year	**4**	(6)	**(164)**	(2,590)
At 31 December	**13**	9	**428**	592
Interest paid	**-**	-	**3**	32

47 RELATED PARTY TRANSACTIONS (CONTINUED)

Balances outstanding with related companies were as follows;

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Due from related parties*				
CRDB Burundi S.A	**-**	-	**289**	312
Due to related parties*				
CRDB Microfinance Company Services	**-**	-	**3,639**	9,064
CRDB Insurance Broker	**-**	-	**24**	2,482
Loan advanced to subsidiary**				
CRDB Burundi S.A	**-**	-	**39,088**	52,402
Nostro to subsidiary				
CRDB Burundi S.A	**-**	-	**4,762**	410
Placement to subsidiary***				
CRDB Burundi S.A	**-**	-	**22,228**	22,281

*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. For the year ended 31 December 2019, the Group recognised provision for expected credit losses of TZS 1.8 million relating to amounts owed by related parties (2018: Nil).

**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.

47 RELATED PARTY TRANSACTIONS (CONTINUED)

Interest received and paid from and to related parties respectively were as follows;

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Interest Income received from subsidiary				
CRDB Burundi S.A	**-**	-	**4,328**	13

Transactions with related companies were as follows;

Payments made on behalf of subsidiaries				
CRDB Microfinance Company Services Ltd	**-**	-	**6,161**	937
CRDB Insurance Broker Company Ltd	**-**	-	**91**	13

	GROUP		BANK	
	2019 TZS' Million	2018 TZS' Million	2019 TZS' Million	2018 TZS' Million
Rent paid to the parent				
CRDB Burundi S.A	**-**	-	**-**	-
CRDB Microfinance Company Services Ltd	**-**	-	**111**	112
CRDB Insurance Broker Company Ltd	**-**	-	**40**	19
	-	-	**151**	131
Commission payable for loans and deposit mobilisation				
CRDB Microfinance Company Services Ltd	**-**	-	**-**	10,300

Purchase/ sale of properties on behalf of subsidiaries

In the year ending 31 December 2019, the company did not sale or purchase properties to/from any related party (2018: NIL).

Transfer of research and development

In the year ending 31 December 2019, the company did not transfer any cost of research and development to/from any related party (2018: NIL).

Guarantee

In the year ending 31 December 2019, there was no guarantee given or received to/from any related party (2018: NIL).

47 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:

	2019 TZS' Million	2018 TZS' Million
Short term employee benefits (salary)	**7,760**	6,392
Post-employment benefits (gratuity)	**2,084**	1,057
	9,844	7,449

The above compensation is a total salary package including all employment benefits and pension.
There were separation costs amounting to TZS 4,519 million during the year relating to severance pay of some key management personnel (2018: TZS 334 million).

During the year ended 31 December 2019, 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. The amounts disclosed above are the amounts recognised as an expense during the reporting period related to key management personnel. Generally, the non-executive directors do not receive pension entitlements from the Group.

Interests in subsidiaries

Currently there are no restrictions of a parent or its subsidiaries to transfer cash or other assets to or from other entities within a Group. Also 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.

48 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

As widely reported COVID-19 pandemic continues to affect countries and businesses globally. Risks to businesses arising from the pandemic could include market, services and supply chain disruptions, unavailability of key people resources, locations being quarantined, among others. Government of the United Republic of Tanzania, business communities and societies in general are taking appropriate preventive and remedial measures to combat the pandemic.

At the time of issuing these financial statements the directors have assessed that, whereas concerted preventive measures have been instituted to mitigate the possible negative impact of the pandemic to the Bank's operations, it was impracticable to determine, quantify and disclose the extent of the possible future direct or indirect impact of the pandemic to the Bank's operations. It is reasonably possible that certain assumptions, estimates and judgements used in preparation of the financial statements may be affected in the future by the possible negative impact and hence the carrying amounts of assets and liabilities reported in these financial statements.

There were no other events after the reporting period which require adjustment or disclosure in the financial statements.

Disclaimer

Caution Regarding Forward-Looking Statements

CRDB Bank Plc has made various forward-looking statements with respect to its financial position, business strategy, plans and objectives of management. Such forward-looking statements are identified by use of the forward-looking words or phrases such as ‘expects’, ‘estimates’, ‘anticipates’, ‘believes’, ‘intends’, ‘plans’ or words or phrases of similar nature.

By their nature, forward-looking statements require the Bank to make assumptions which are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this report not to place undue reliance on our forward-looking statements as a number of factors could cause future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to interest rate and currency value fluctuations, industry and worldwide economic and political conditions, regulatory and statutory developments, the effects of competition in the geographic and business areas in which we operate, management actions and technological changes.

We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to CRDB Bank Plc investors and other stakeholders should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. The Bank does not undertake to update any forward-looking statement that may be made, from time to time, by the Bank or on its behalf.

Non-IFRS Information

This report contains certain non-IFRS financial measures which has not been reviewed or reported on by the Group’s auditors. The Group’s management believes these measures provide valuable additional information in understanding the performance of the Group or the Group’s businesses because they provide measures used by the Group to assess performance. However, this additional information presented is not uniformly defined by all companies, including those in the Group’s industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, although these measures are important in the management of the business, they should not be viewed in isolation or as replacements for or alternatives to, but rather as complementary to, the comparable IFRS measures.

CRDB BANK
The bank that listens

TAARIFA YA FEDHA YA MWAKA 2019

Thamani Zaidi ya Faida

YALIYOMO KURASA

Thamani Zaidi ya Faida

WASIFU WA KAMPUNI

KUHUSU BENKI YA CRDB PLC

Benki ya CRDB ni benki ya kibiashara inayomilikiwa na umma na yenye makao yake makuu jijini Dar es Salaam nchini Tanzania. Benki inamiliki kampuni tanzu tatu ambazo ni CRDB Bank Burundi S.A. ambayo imejikita Bujumbura nchini Burundi, CRDB Insurance Broker Limited - ambayo ni kampuni ya udalali wa bima inayoongoza nchini Tanzania na, CRDB Microfinance Services Limited ambayo hutoa huduma za kifedha na mikopo kwa biashara ndogo na vikundi.

Benki ya CRDB inaongoza katika utoaji wa huduma za kifedha nchini Tanzania, kutoa huduma mbalimbali za kifedha kwa watu binafsi, wateja wadogo na wa kati pia wateja wakubwa yakiwemo mashirika makubwa. Benki ya CRDB inazingatia zaidi mahitaji ya mteja na kujidhatiti kutoa huduma bunifu zinazolenga kukuza uchumi na kuboresha maisha ya jamii. Benki inatambulika kwa kuwa na kiwango bora na imara cha utoaji mikopo yaani "B1 Stable Outlook" na pia imeorodheshwa kwenye soko la Hisa la Dar es Salaam (DSE).

Dira
Kutoa huduma za fedha zenye ubunifu na ushindani zinazoendana na mageuzi ya kidijitali, ili kutoa huduma za kipekee kwa wateja huku tukijali watu wetu na kutoa mchango endelevu kwa jamii.

Dhamira yetu
Kuwa benki inayoongoza sokoni kwa kukidhi mahitaji ya mteja pamoja na wanahisa.

Lengo letu
Kubadilisha maisha ya watu kupitia uvumbuzi wa sekta ya fedha, matendo halisi na biashara endelevu.

Uimara wetu
Wigo mpana wa biashara unaotokana na uimara wa mizania yetu na weledi wa wafanyakazi wetu. Tunawekeza katika kuboresha uwezo wa wafanyakazi, teknolojia na namna ya utendaji kazi unaoweza kutoa thamani kwa kuzingatia taratibu na kuwa endelevu.

Jinsi tunavyofanikisha ukuaji

Tumedhamiria kuendelea kukuza na kutoa thamani kwa wadau wetu wote. Kwetu sisi thamani inaelezewa vyema na ubora wa maisha ya wanahisa wetu, wafanyakazi wetu na jamii inayotuzunguka. Tumejipanga kutekeleza malengo yetu ya kimkakati katika njia tatu zinazofuatana:

- Kujenga miundombinu yenye ufanisi kwa ajili ya ukuaji
- Kuwepo kwa wafanyakazi mahiri na wanaoshirikishwa kwenye utendaji
- Kujenga mfumo wa kidigitali unatoa huduma za kipekee

Utafutaji wetu wa ukuaji wa unadhibitiwa na mfumo dhabiti wa maadili, ambao unaongoza tabia na vitendo vyetu.

UBOBEVU
(Kufanya kitu SAHIHI kwa wakati unaohitajika)

USIKIVU
(Tunasikiliza na KUTHAMINI mchango wa kila mmoja)

UWAJIBIKAJI
(Kubeba DHAMANA)

KUJIDHATITI
(Kushiriki KIKAMILIFU katika kutekeleza adhma yetu)

UMOJA
(kushirikiana kwa pamoja ili KUFIKIA MALENGO)

UBUNIFU
(Utofauti katika UTEKELEZAJI)

UNYENYEKEVU NA UKARIMU
(KUSIKILIZA kwa umakini na kutoa suluhisho kwa wakati)

UFANISI
(Kutoa huduma bora, kwa wakati SAHIHI na kasi inayohitajika)

Tumekuwa kinara katika soko la Tanzania

UWEZO WA BENKI KATIKA KUTOA HUDUMA

Miaka 24

Mtandao wetu
Tanzania na Burundi

Makampuni Yetu
CRDB Bank Burundi S.A., CRDB Insurance Broker Ltd, na CRDB Microfinance Services Limited

Uwezo Mkubwa wa Kifedha

Mtaji
TZS 873 Bilioni

Rasilimali
TZS 6.6 Trilioni

Umiliki wa Soko

20.2% Mikopo

23.3% Amana

Wafanyakazi Wetu

44% **56%**

Zaidi ya Wafanyakazi **3,400** wenye Weledi, Uzoefu na Uwezo mkubwa

Wateja Zaidi ya Milioni 3.3

Mtandao Mpana wa kutoa Huduma

268 Matawi (pamoja na yaliyokasimishwa kwa mawakala) - Tanzania na Burundi

560 ATM's

14,761 Mawakala

2,237 POS

Mifumo thabiti ya Benki ya kieletroniki

86% Miamala inayofanyika kwa njia mbadala za benki

SHUGHULI ZETU ZA UENDESHAJI SOKONI

JINSI TUNAVYOFANYA KAZI

Katika kuendeleza ukuaji wetu, vitengo vyetu vya biashara vimewekeza katika kutumia nguvu kazi iliyopo, teknolojia na mifumo yetu ya kutolea huduma. Mifumo ya kutolea huduma tuliyonayo ni pamoja na matawi, mashine za kutolea pesa (ATMs), vituo vya malipo (POS) pamoja na mifumo jadidi ya huduma za benki kwa njia ya simu na mtandao.

Vile vile tunatumia kampuni zetu tanzu za CRDB Bank Burundi S.A. na CRDB Insurance Broker ili kuweza kupata matokeo mazuri kibiashara. Pamoja na hayo, tunatumia ushirikiano na ubia na wadau wengine ili kuimarisha nguvu yetu sokoni.

BIASHARA ZETU KUU

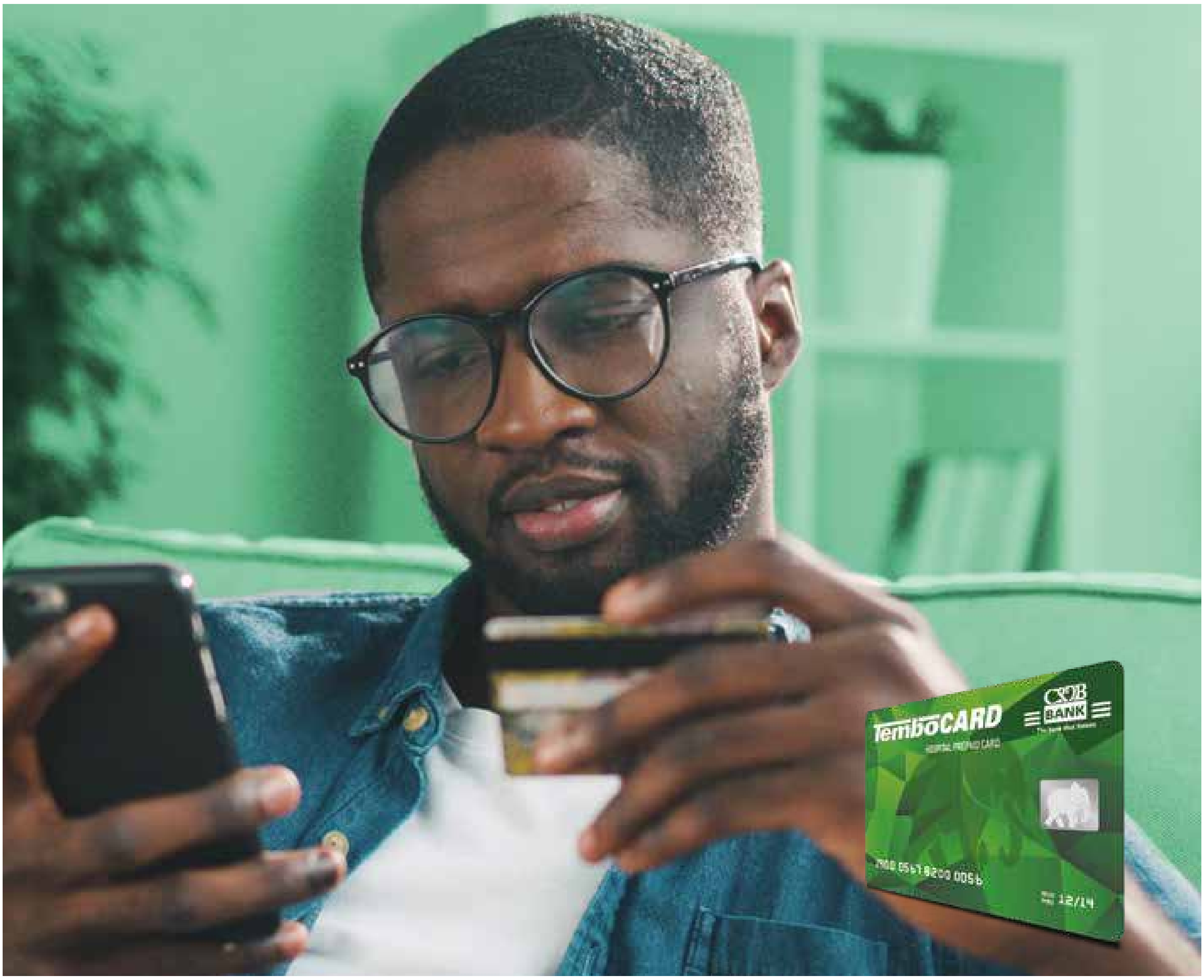
WATEJA WADOGO NA BINAFSI

Walengwa

Wateja mmoja mmoja, biashara ndogo na za kati (SMEs)

Mbinu zetu

Tunahakikisha tunatimiza mahitaji ya kibenki ya kila siku ya wateja. Sambamba na huduma ya mikopo na kuweka amana, tunatoa akaunti za benki kulingana na mahitaji ya kila mteja kwa kila rika. Tunawawezesha wajasiriamali wadogo na wa kati kuendeleza biashara zao kwa kuwapatia huduma wezeshi na ushauri wa mambo ya fedha. Wateja wetu wanapata huduma za kifedha kupitia mtandao wetu mpana wa huduma popote walipo. Pia wateja wanaweza kunufaika na huduma za uwekezaji zilizobainishwa kulingana na mahitaji yao.



WATEJA WAKUBWA NA TAASISI

Walengwa

Mashirika makubwa yaliyopo nchini Tanzania, Burundi na ukanda wote wa jumiya ya Afrika Mashariki; Kampuni za biashara za kimataifa, Taasisi za mikopo, uwezeshaji na mashirika. Kampuni zinazohusika na nishati na bidhaa, kama wafanyabiashara, wazalishaji n.k. Wateja wengine ni: Taasisi za Fedha, Mashirika ya Serikali na Kampuni zinazohusika na masuala ya uwekezaji na usimamizi wa mali.

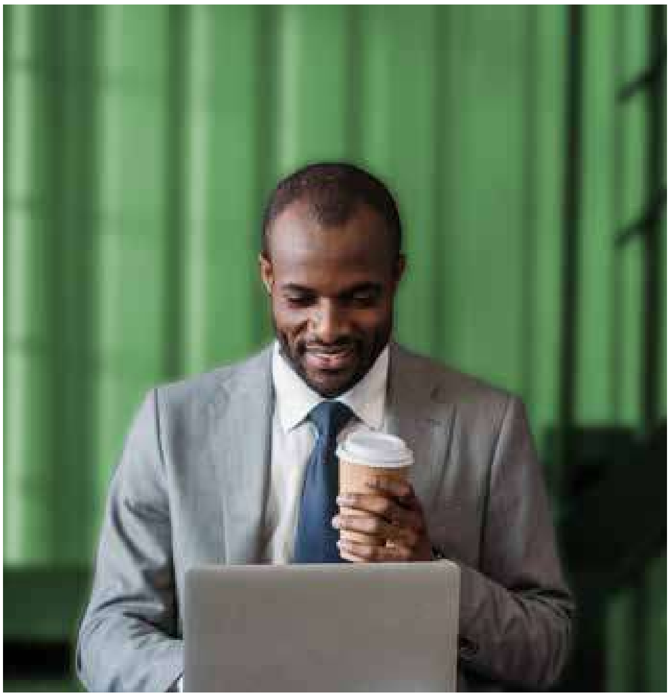
Mbinu zetu

Kutoa suluhisho linalohitajika, ushauri na huduma za uwekezaji kwa wateja wakubwa na taasisi. Tumeweza kutengeneza huduma katika maeneo ya mikopo, biashara, hazina, mifumo ya kurahisisha miamala na malipo pamoja na huduma za uwekezaji kusaidia kukuza biashara na kuwajengea uwezo wateja waliopo katika sekta muhimu ya uchumi.

Tunatoa suluhisho madhubuti kwa makampuni mbalimbali, taasisi za mikopo na mashirika. Tunatoa huduma zinazokidhi mahitaji ya wateja katika ukanda wa Afrika Mashariki na kuweka mikakati ya kuwafikia wateja wengi zaidi nje ya ukanda. Sambamba na hilo tuna miradi mahususi kusaidia kampuni zinazowekeza katika biashara nchini Tanzania na Burundi, huku tukishiriki vyema katika fursa zinazopatikana katika ukanda wa Afrika Mashariki. Benki ya CRDB na kampuni zake tanzu zinatekeleza ahadi ya kuwa suluhisho sahihi la huduma za kifedha ili kusadia taasisi za fedha kukua na kufikia malengo ya ukuaji waliyojiwekea.

HAZINA

Idara ya Hazina hutoa bidhaa za hazina katika wigo mpana kuwezesha usimamizi wa hatari, uwekezaji, na suluhisho kwa taasisi za fedha pamoja na wateja wakubwa na wadogo.



Idara ya hazina ina watendaji wenye waliobobea ambao wanabuni na kutoa huduma za hazina zinazoendana na mahitaji maalum ya wateja. Tunashughulika na mahitaji ya wateja ikiwemo kubadili fedha za kigeni, usimamizi wa vihatarishi, suluhisho la uwekezaji (Mfano. Akaunti za muda maalum, Akaunti za muda mfupi na Hisa / Hati fungani. Benki pia hutoa huduma za kubadili fedha za kigeni kwa wateja wasio na akaunti ya benki kupitia mtandao wake wote.

UDALALI WA BIMA

Walengwa

Mashirika, watu binafsi, familia, wafanyabiashara wadogo na wa kati, wafanyabiashara wa majengo, viwanda vya uzalishaji, miradi ya ujenzi wa kitaifa, taasisi zisizo za kiserikali, taasisi za fedha, sekta ya kilimo, sekta ya mafuta na madini.

Mbinu zetu

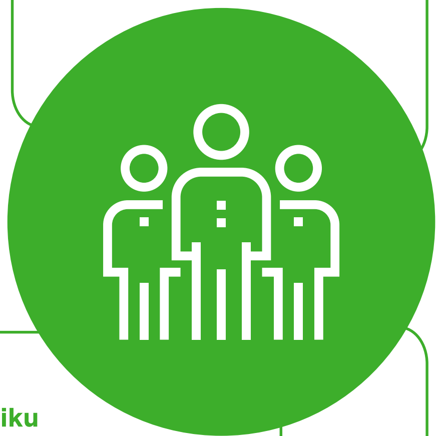
Tunaamini kuwa mteja ndio chachu ya mafanikio yetu na hivyo tunatoa kipaumbele kukidhi mahitaji ya wateja kwa kubuni bidhaa za kibima zinazoendana na mahitaji yao

Pia tunatoa ushauri kuhusu huduma shindani za bima zenye masharti na bei nafuu pamoja na manufaa makubwa. Tunatoa huduma ya mkopo wa bima ambao ni mahususi kwa ajili ya malipo bima. Huduma hizi zinapatikana katika matawi yote ya Benki ya CRDB nchini Tanzania.

HUDUMA ZETU

Huduma za benki kwa wateja wadogo na kati

Tunatoa huduma bunifu na zilizo mahususi ambazo zimelenga kuwawezesha wateja kukidhi mahitaji yao ya kifedha na kuwawezesha kufikia malengo yao ya baadae.



Suluhisho la kifedha
- Mkopo wa nyumba
- Mikopo kwa mteja binafsi
- Mikopo ya Elimu
- Mikopo ya Gari
- Mkopo kwa wafanyabiashara wadogo na kati
- Mikopo kwa wastaafu

Huduma za malipo
- Malipo ya ankara
- Kubadilisha vitabu
- Agizo la kuhamisha fedha
- Malipo kwa njia ya simu
- Kuhamisha fedha ndani na nje ya nchi

Huduma za Benki za kila siku
- Akaunti ya Amana
- Akaunti ya sarafu zaidi ya moja
- Huduma za kubadili fedha za kigeni
- Huduma ya mkopo wa Overdraft
- Kadi za benki
- Huduma ya utunzaji mali na nyaraka
- Huduma ya bima

Mtandao wa Benki
- Matawi ya Benki
- Mashine za kutolea pesa (Tembo card)

Huduma za kawaida

- Huduma za benki kwa njia ya mtandao
- Huduma za benki kwa njia ya simu ya mkononi (USSD & APP)
- CRDB Wakala
- Vituo vya mauzo kwa njia ya QR Code

Mfumo mbadala wa kidigitali

- Vituo vya mauzo kwa njia ya kadi

Akiba na uwekezaji
- Akaunti ya muda maalumu
- Huduma binafsi za benki na usimamizi wa mali
- Huduma za uwekezaji
- Huduma za masuala ya hazina na hati fungani za serikali

Huduma za Benki kwa Wateja Wakubwa Na Taasisi

Tunafanya kazi kwa ukaribu na wateja wetu kutambua mahitaji yao, changamoto na vipaumbele vyao ili kubuni bidhaa na huduma zinazoendana na mahitaji yao.

Huduma ya Ushauri wa Kifedha
- Ushauri wa kifedha kwa makampuni
- Ushauri wa masuala ya uwekezaji

Huduma ya miamala ya kibenki
- Malipo na usimamizi wa fedha
- Huduma zingine za kibiashara

Huduma ya Mikopo
- Mikopo ya muda mfupi na muda mrefu
- Mikopo ya kushirikiana na taasisi nyingine za fedha
- Mikopo ya muda mfupi
- Mikopo ya kutekeleza miradi
- Mkopo wa Mtaji
- Huduma zingine za kibiashara

Uwezeshaji katika Biashara ya kimataifa
- Kuingiza bidhaa na kusafirisha nje ya nchi
- Ulinzi wa mkopo
- Dhamana ya Benki
- Uwezeshaji biashara ya Kimataifa
- Uwezeshaji wa manunuzi ya bidhaa
- Barua ya Uthibitisho wa Benki
- Biashara ya mali

Huduma za uwekezaji
- Huduma ya masuala ya uwekezaji
- Utunzaji wa amana za sarafu zaidi ya moja

Huduma za Hazina

Tunatoa wigo mpana wa huduma na suluhisho katika masuala ya biashara ya fedha za kigeni, huduma za ushauri unaohusu masuala ya uwekezaji wa mitaji na huduma zote za usimamizi wa uwekezaji, utunzaji wa mali na utunzaji wa taarifa.

Huduma ya biashara ya fedha za kigeni
- Uwezeshaji wa biashara ya kila siku ya kubadili fedha za kigeni
- Uwezeshaji wa mauzo ya fedha za kigeni yaliyopangwa au yanayotarajiwa kwa siku za usoni
- Uwezeshaji wa makubaliano ya mauzo ya fedha za kigeni kwa wakati uliopo na ujao
- Utoaji wa bidhaa maalum kutokana na mahitaji ya biashara husika
- Huduma za kununua au kuuza fedha za kigeni kwa wasio na akaunti

Huduma za Viwango vya Riba
- Huduma za Uwekezaji wa Muda Mfupi
- Uwezeshaji wa ununuzi na usimamizi wa dhamana za serikali
- Uwezeshaji katika masoko ya jumla katika ununuzi wa dhamana za serikali

Huduma za Fedha
- Uwezeshaji wa uuzaji wa hisa kwa mara ya kwanza (IPO)
- Ushauri wa masuala ya fedha
- Usajili wa hati fungani
- Huduma za ukusanyaji wa malipo
- Uwezeshaji wa huduma za udalali
- Utunzaji wa vito vya thamani

Huduma za Masoko ya Mtaji
- Uwekezaji wa Mitaji
- Miamala ya hati fungani kwa makampuni
- Uwekezaji wa bidhaa
- Ufanyaji wa miamala binafsi

Udalali wa Bima

Benki inashirikiana kwa karibu na wateja ili kuweza kutambua mahitaji, changamoto na vipaumbele vyao katika kutengeneza suluhisho linaloendana na mahitaji yao.

Tunalinda mali zako kupitia

- Bima ya vyombo vya usafiri
- Bima ya moto
- Bima ya wizi
- Hatari zote
- Bima ya madeni

Tunajali afya yako kupitia

- Bima ya matibabu kwa mtu binafsi
- Bima ya matibabu kwa familia
- Bima ya matibabu kwa kampuni au kikundi
- Bima ndogo ya afya

Tunapunguza uwezekano wa kukumbwa na hatari

- Hii inafanyika kupitia utafiti ili kuboresha uwezo wa kuzuia hatari
- Kumuongoza mteja katika njia sahihi ya kupunguza uwezekano wa kukumbwa na hatari

Tunatoa ulinzi wa masuala ya fedha kwa bei nafuu kwa watu binafsi, familia, vikundi na makampuni kupitia

- Bima ya maisha kwa mtu mmoja au kikundi
- Bima ya maisha ya mkopo
- Mpango wa uwekezaji
- Mpango wa pensheni (Taasisi)
- Elimu (Akiba na Bima ya Maisha)
- Bima ya mtu muhimu kwenye taasisi (Ulinzi wa biashara)
- Bima ya mazishi (Gharama ya mazishi)

Mchakato wa madai umefanywa kuwa rahisi

- Kutoa muongozo wa hatua za madai
- Kuhamasisha usajili wa madai kwa wakati
- Ufahamu na elimu ya program za afya


MIAKA
24
YA KUKUA PAMOJA

Niliijenga hoteli hii kwa kutumia mkopo ambao nimeupata kutoka Benki ya CRDB.

Nilikuwa na ndoto ya kumiliki hoteli. Na sasa naishi ndoto zangu.

Kwanza nilikopa Shilingi milioni 800, ambazo nilitumia kujenga jengo la hoteli na kupanua biashara yangu ya dawa za binadamu.

Uhusianao wangu na Benki ya CRDB ulianza mwaka 1998 wakati nilipofungua akaunti ya kwanza katika tawi la Benki ya CRDB Mwanza. Nilikuwa na historia nzuri ya ukopaji na kwa sababu ya kipato cha uhakika ilikuwa rahisi kwangu kupata mkopo kila nilipohitaji.

Baadaye nilipata mkopo wa muda mfupi yaani “Overdraft” kiasi cha Shilingi milioni 500 ambayo imeniwezesha kuendelea kukuza biashara yangu ya dawa. Mkopo huo umenipa mtaji ninaohitaji kuongeza dawa za aina tofauti kwenye duka langu. Leo naweza kuagiza dawa kutoka nchi jirani ya Kenya.

Mbali na mikopo yangu, nimenufaika sana na huduma za kuhamisha pesa kupitia Benki ya CRDB hususan miamala ya nje ya nchi. Wamenipa viwango bora na nafuu sana vya kununua fedha za kigeni.

Kama matokeo ya ukuaji huu, nimeweza kujenga nyumba nzuri kwa ajili ya familia yangu katika kitongoji chenye utulivu cha Capri Point, Mwanza. Sitachoka kukimbilia Benki ya CRDB kwa mahitaji yangu yote ya kifedha.

Nyiriza Makongoro, 48
Mmiliki wa Hoteli ya Midland, Mwanza


Midland Hotel
SUNPHARM

SAFARI YETU YA UKUAJI

Hadithi ya benki ya CRDB na kampuni zake tanzu ni hadithi ambayo ilianza katika namna ya kawaida kabisa. Benki ilianza kama Benki ya Maendeleo ya Ushirika na Vijiji mapema miaka ya 90 na imekua ikipanda viwango na kuvuka mipaka. Safari halisi ilianza mwaka 1991 baada ya kutokea kwa marekebisho ya sera ya serikali katika sekta ya huduma za kifedha ambapo ilishuhudiwa mashirikia ya umma yakibinafsishwa. Kwa sababu ya jukumu muhimu la CRDB katika kusaidia vyama vya ushirika na maendeleo vijijini, serikali ilitoa wito kwa wafadhili kuokoa shughuli za Benki hiyo na kuiwezesha kuendelea na kazi nzuri iliyokuwa ikifanya.

Mnamo mwaka 1994, Shirika la Kimataifa la Maendeleo kutoka Denmark (DANIDA) waliitikia wito wa serikali na wakakubali kuiunga mkono CRDB; kwa sharti kwamba Watanzania washiriki katika kupatikana kwa asilimia 70 ya mtaji. Hali hiyo ilifikiwa mnamo mwaka 1996, baada ya DANIDA kuanzisha Mfuko wa Uwekezaji wa DANIDA (DIF), na kujiandikisha kama mwanahisa wa asilimia 30 ya mtaji wote wa benki mpya. CRDB ilibadilishwa jina na kuitwa CRDB Bank Ltd.

DANIDA ilibadilisha CRDB kwa kuwekeza katika mfumo wa kisasa wa benki na teknolojia mpya za mawasiliano zilizorahisisha huduma. Pia iliteua Mkurugenzi Msaidizi kutoka Denmark na wakurugenzi kadhaa wa mikopo na TEHAMA ambao walisaidia kuimarisha utawala wa Benki. Ushirikiano thabiti na DIF umechangia kwa kiasi kikubwa ukuaji wa haraka wa Benki hadi kufikia kuwa benki inayoongoza nchini Tanzania huku ikishiriki kikamilifu katika harakati za ujumuishwaji wa huduma za kifedha, jambo ambalo linawezeshwa na mtandao mpana wa matawi ya Benki na huduma za kidijitali nchi nzima.

Sehemu kubwa ya mageuzi ilifikiwa mwaka 2009, wakati Benki ya CRDB ilipo orodheshwa kwenye Soko la Hisa la Dar es Salaam (DSE). Kuorodheshwa kwenye soko la hisa kuliboresha sana uwezo wetu wa ukuaji kutokana na hisa zilizouzwa kwa mara ya kwanza na kupelekea Benki kubadilishwa jina kwa mara ya pili na kuitwa Benki ya CRDB Plc. Tangu wakati huo Benki iliweka mkakati madhubuti wa ukuaji unaoendeshwa na nia ya dhati ya kuimarisha upatikanaji wa huduma za kifedha na kuwawezesha watu katika nchi ambayo sehemu ndogo ya watu imefikiwa na huduma za kifedha.

Kwa muda wote huu Benki ya CRDB imepata mafaniko yasiyo hesabika ikiwa ni pamoja na kupata kiwango bora cha utoaji mikopo kimataifa wa B-1 kutoka kwa taasisi ya Moody mnamo Agosti 2016 wakati utambuaji huu ulipofanyika kwa mara ya kwanza nchini Tanzania.

Sisi pia ni Benki ya kwanza ya kibiashara kanda ya Afrika Mashariki na Kati kuratibishwa na Shirika la Umoja wa Mataifa linalojihusisha na maswala ya mabadiliko ya tabianchi Green Climate Fund (GCF)

Tunaendelea kusaidia sekta muhimu za uchumi katika masoko yetu hususani sekta ya kilimo huku kipaumbele kikubwa kikiwa kwa wanawake kama hatua ya kufikia jamii ambazo hazijafikiwa na huduma za benki na ambazo zimehudumiwa kwa kiwango kidogo.

Historia yetu tulipoanza hadi sasa

2019 Kutambuliwa na Mfuko wa hali ya hewa ujulikanao kama United Nation's Green Climate Fund kuwa benki ya kwanza ya biashara kwa Afrika Mashariki na kati – na nafasi ya tatu (3) kwa Afrika - kupata hadhi hiyo.

2016 Kutambulika kwa kiwango B-1 katika huduma za mikopo kutoka kwa Huduma za Wawekezaji wa Moody (Benki ya Kwanza nchini kupata kiwango hicho)

2013 Kuanzishwa kwa huduma za benki kupitia mawakala ikijulikana kama FahariHuduma (kwa sasa ni CRDB Wakala)

2012 Kuanzishwa kwa kampuni tanzu nchini Burundi (benki ya kwanza ya Kitanzania kufungua kampuni nje ya nchi)

2011 Kuzinduliwa kwa huduma ya kimapinduzi ya SimBanking (Huduma ya benki kwa njia ya simu ya kwanza nchini Tanzania)

2010 Kuzinduliwa kwa kituo cha huduma kwa wateja kwa masaa 24

2009 Kuorodheshwa kwenye Soko la Hisa la Dar es salaam (DSE)

2005 Kuzinduliwa kwa huduma ya Benki kwa wafanyabiashara wadogo na kati (SME), mashine za kuwekea fedha na huduma kwa wafanyabiashara wadogo zaidi (Microfinance Services)

2004 Kutambulika kama Benki Bora nchini Tanzania na Euromoney

2002 Kuzinduliwa kwa TemboCard kwa ushirikiano na Visa na MasterCard nchini Tanzania (Mara ya kwanza huduma za Visa na MasterCard kuingia nchini Tanzania)

2000 Benki ya kwanza, kusini mwa Sahara kupata teknolojia ya VSAT na kutekeleza mfumo mubashara unaounganisha matawi yote ya Benki nchini

1996 DIF kuchukua asilimia 30 ya hisa za CRDB ambapo Benki ilisajiliwa kama CRDB Bank Ltd

1994 Kuanza kwa Ushirikiano wa DANIDA (ulianza kwa kuanzishwa Mfuko wa Uwekezaji wa DANIDA - DIF)

1991 Mabadiliko ya Sekta ya Fedha

MAFANIKIO MUHIMU

MWANZO

Miaka 20 ya kulinda maisha na mali

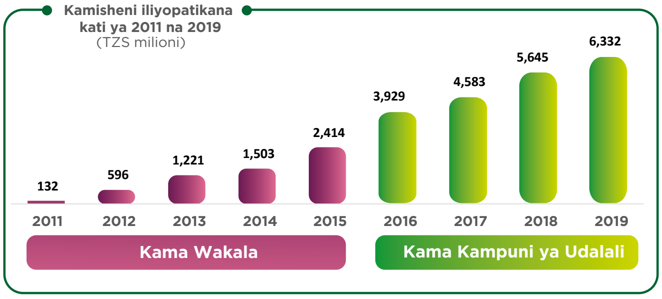
CRDB Insurance Broker Ltd (CIB) ni kampuni tanzu inayomilikiwa moja kwa moja na Benki ya CRDB. Kampuni hii ilianza shughuli zake ikiwa kama kitengo cha biashara mnamo mwaka 1999 kikiwa na kusudi la kimsingi la kutoa huduma ya bima kwa wateja wa Benki ya CRDB na wateja wengine wa nje.

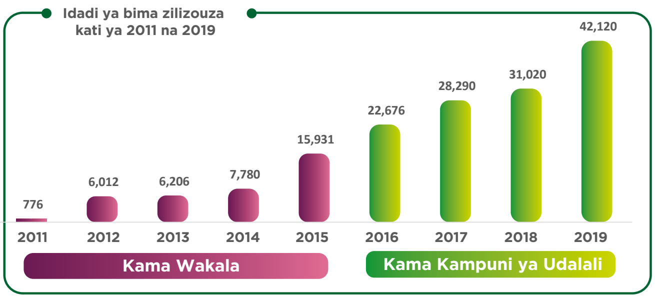
Ikiongozwa na dhamira ya kukua na hamasa ya kukua kwa soko la bima nchini Tanzania, kampuni hii iliweza kutanua wigo wa huduma zake kwa lengo la kufikia wateja wengi na kutoa uzoefu wa kipekee wa huduma ya bima.

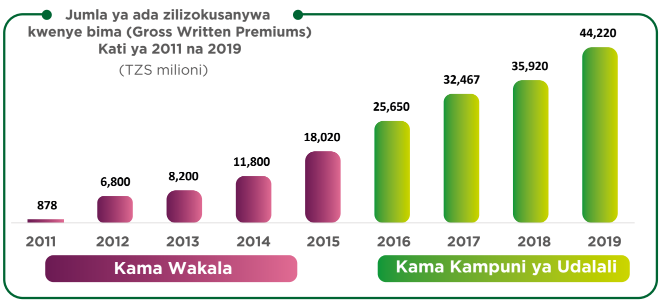
Kulikuwa na mafanikio kadhaa katika safari ya kitengo cha bima ambayo yalisababisha kuhamishiwa kitengo hicho kwenye kampuni tanzu ya CRDB Microfinance Services Company Ltd mnamo mwaka 2011. Bodi ilifanya uamuzi huu kuruhusu kitengo kujitegemea kama njia mbadala ya kuongeza mapato kwa Benki ya CRDB na kampuni zake tanzu. Kutokana na hili, kitengo kiliongeza hamasa yake ya kuchukua sehemu kubwa ya soko la bima ambalo bado halijafikiwa na kufanikiwa kukuza mtandao wake na kuhudumia wateja wengi zaidi.

Mafanikio makubwa yalipatikana mwaka 2016 baada ya kuwa kampuni kamili ya udalali wa bima. Mabadiliko haya yalichangiwa na hamasa ya kutaka kuwa na kampuni inayojitegemea kisheria ambayo inaweza kuwa na vitu vyote vinavyohitajika ili kulihudumia vvema soko.

Safari yetu ya ukuaji kwa ufupi







Ushirikiano wa kudumu na watu wa Burundi

ilianzishwa
mnamo
Novemba
2012

Benki ya CRDB Burundi iliadhimisha kumbukumbu ya miaka 7 mnamo Novemba 2019. Benki ilianzishwa kama kampuni inayomilikiwa moja kwa moja na CRDB Bank Plc.

Ikiongozwa na dhamira ya kuwezesha watu katika nyanja mbalimbali, Benki ya CRDB Burundi inaendelea kutanua wigo wake ndani ya nchi hiyo ikifanya kazi kwa karibu na wateja kutoka kada zote za maisha na makundi mbalimbali kwenye uchumi.

BENKI YA CRDB BURUNDI

2012
Tulizindua huduma ya SimBanking

2013
Tulianzisha huduma za malipo ya Visa & MasterCard

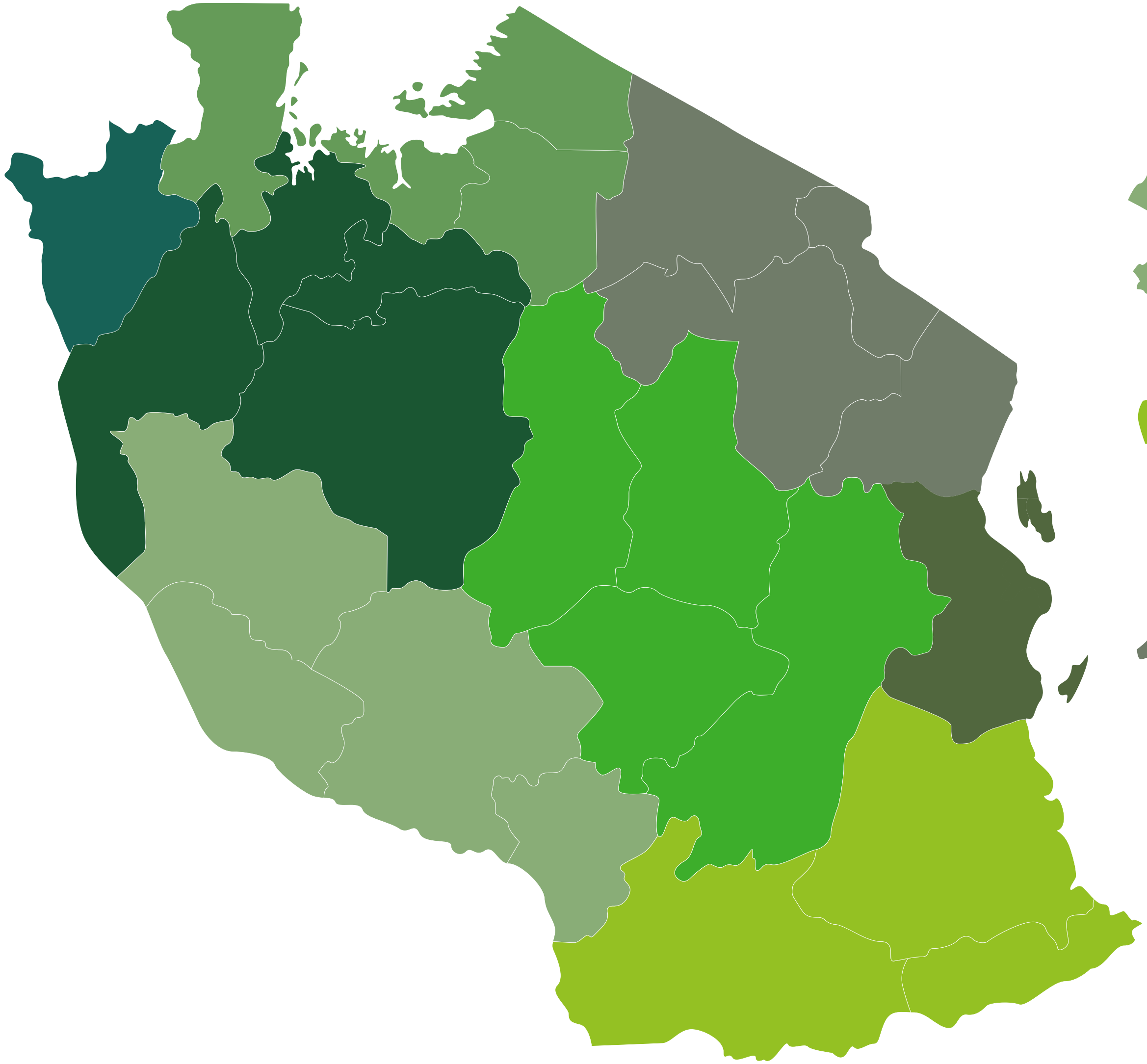
Uzinduzi wa Huduma za Microfinance (Birashoboka)

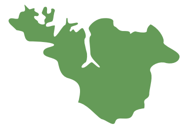
2017
Tulizindua Mtandao wa Wakala wa TuriHose

2019
Tulipata ukuaji mkubwa wa faida baada ya kodi kwa 146%

Miaka 7
ya kuchangia ukuaji wa uchumi nchini Burundi

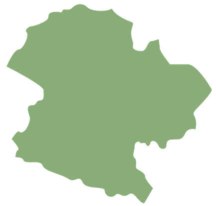
MTANDAO WA MATAWI YETU



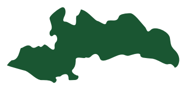


MATAWI 33
Kanda ya Ziwa
Mwanza
Kagera
Simiyu
Mara

MATAWI 32
Kanda ya Kati
Dodoma
Morogoro
Singida
Iringa



MATAWI 24
Kanda ya Juu Kusini
Songwe
Rukwa
Mbeya
Katavi
Njombe



MATAWI 28
Kanda ya Magharibi
Kigoma
Geita
Tabora
Shinyanga

MATAWI 17
Kanda ya Kusini
Ruvuma
Mtwara
Lindi

MATAWI 87
Kanda ya Mashariki
Dar es Salaam
Zanzibar
Pwani

MATAWI 44
Kanda ya Kaskazini
Kilimanjaro
Manyara
Arusha
Tanga

BURUNDI

MATAWI 3
Bujumbura
Inyenyeri
Asiatique
City Market

UFANISI WETU

MUHTASARI WA TAARIFA YA KIFEDHA 2019

UKUAJI WA BIASHARA

Faida baada ya kodi — 87% — **TZS 120.1 Bilioni**

CRDB Bank Burundi — 146% — **TZS 6.4 Bilioni**

CRDB Insurance Broker — 23% — **TZS 1.5 Bilioni**

Jumla ya Rasilimali — 11% — **TZS 6.6 Trilioni**

Mikopo kwa Wateja — 8% — **TZS 3.4 Trilioni**

Amana za wateja — 18% — **TZS 5.2 Trilioni**

UIMARA WETU

Mikopo chechefu — 3% — **Ongezeko la ubora kufikia asilimia 5.5**

Faida ya Mtaji — 5.5% — **Ongezeko kwa asilimia 13.8**

UPATIKANAJI WA HUDUMA ZA FEDHA

Tumetoa huduma za kibenki kwa **+500,000** **wateja wapya**

Tumepanua wigo wa upatikanaji wa huduma zetu kwa kuongeza **+9,000** **mawakala wapya**

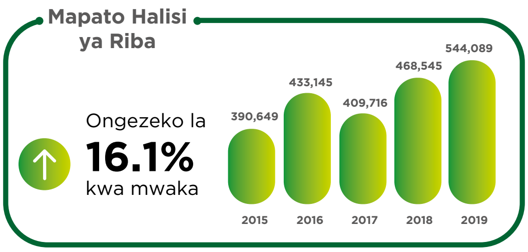
Tumetoa mikopo kwa **watu** **+50,000** **biashara** **+8,000**

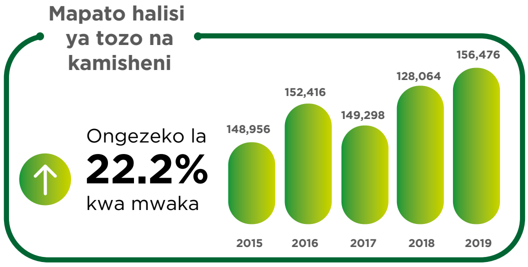
Tumewafikia watu **+4,000,000** kwa **programu zetu za kutoa elimu na huduma za kifedha**

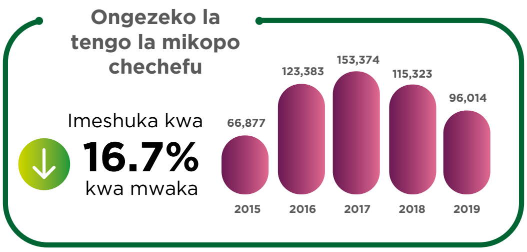
Muhtasari wa Taarifa ya kifedha 2015 - 2019

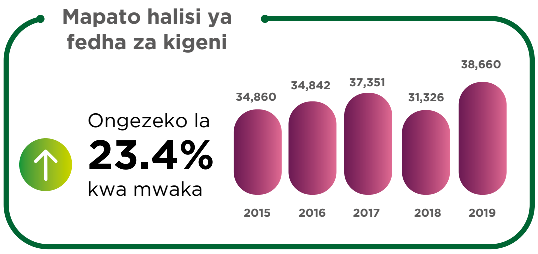
(Kiasi kwa TZS milioni)

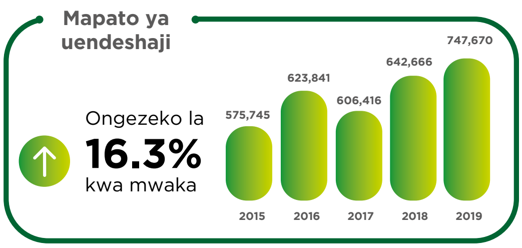
MWENENDO WA MIAKA MITANO

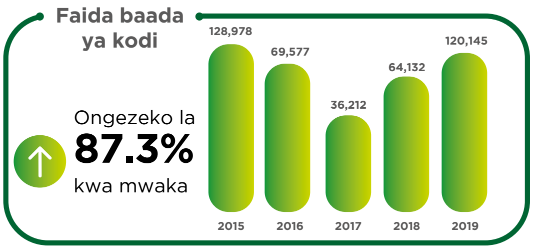


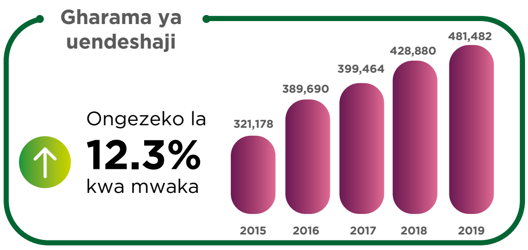


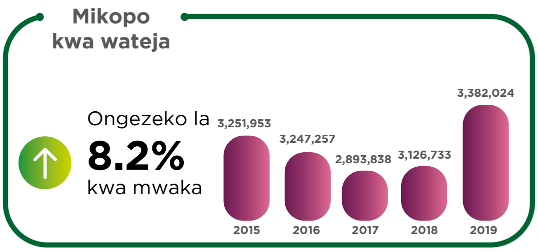


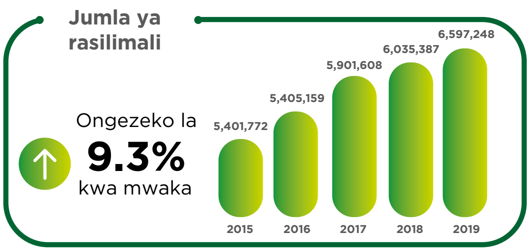


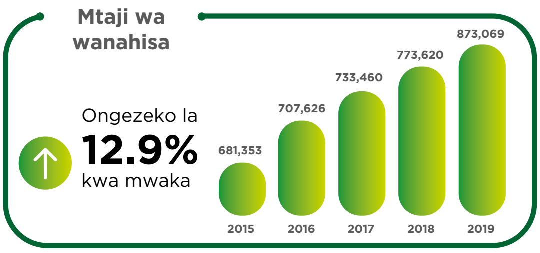


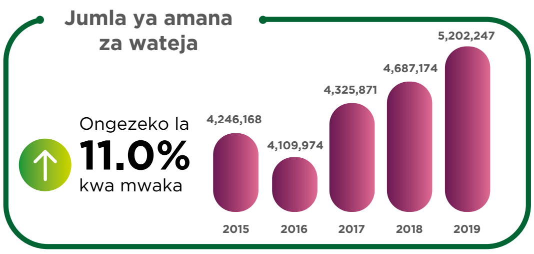


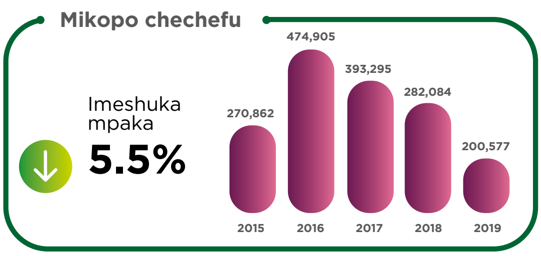




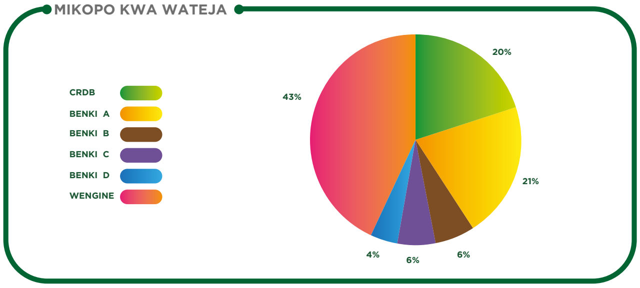


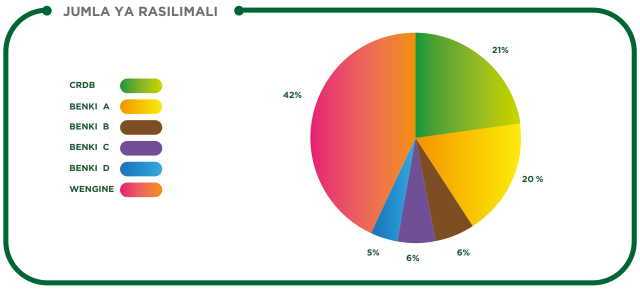


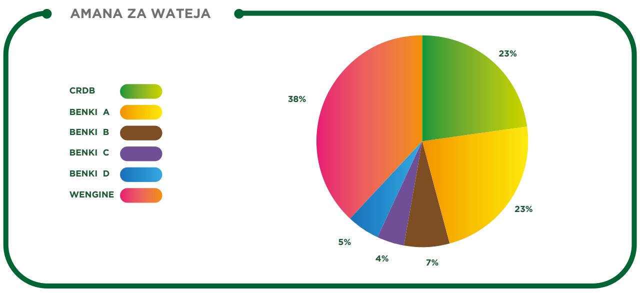


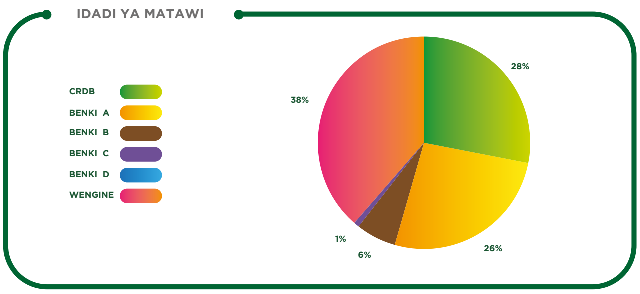


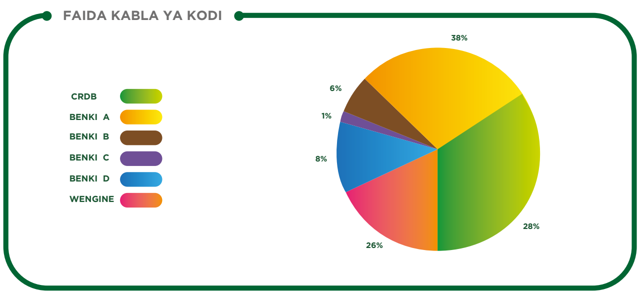
Mgawanyo wa umiliki wa soko











Chanzo: Uchambuzi wa chapisho za hesabu za mabenki na taasisi za kifedha za tarehe 31 Disemba 2019 kabla ya ukaguzi.

THAMANI TUNAYOIJENGA

WANAHISA NA WAWEKEZAJI

Kwa kuzingatia ukuaji mkubwa wa faida katika mwaka wa fedha wa 2019, bodi imependekeza gawio la TZS 17 kwa hisa ambazo ni sawa na

TZS bilioni 44.4

kama gawio la mwaka kwa wanahisa.

Wanahisa wametuamini kwa kuweka katika hisa zetu kwa kutarajia kwamba watapata marejesho mazuri kwenye uwekezaji wao.

Kwa Wateja

Mtandao mpana unaojumuisha
matawi 268
(pamoja na matawi yaliyokasimishwa)
na mawakala 14,761

Tunaamini kwamba kuwa wazi katika mahusiano yetu na wateja na kuwahudumia kwa haki ndio ufunguo wa mafanikio katika tasnia ya benki. Tunao utaratibu madhubuti wa kuwasilisha huduma zinazohitajika na wateja wetu.

Biashara yetu ni ile ya kuaminiana na wateja wetu. Tunakubali kuwa uaminifu ni muhimu sana kwetu na kwa hivyo tunajitahidi kuulinda wakati wote. Tunafanya hivyo kwa kulinda maslahi ya wateja wetu na tunaweka katika kujenga na kuimarisha imani ya wateja kwa Benki.

Kwa Wafanyakazi

Tumewaajiri
Wanafunzi 295
ambao walikuwa wakipata mafunzo kwa muda mrefu.

Tulitoa zaidi ya
TZS bilioni 200.9
kwa wafanyakazi wetu kupitia mishahara na faida za ajira pamoja na, bima ya matibabu kwa wafanyakazi na wanafamilia wa karibu.

Tunaamini katika kutoa uimara wa kipato kwa watu wetu kupitia ajira. Benki imeajiri wafanyakazi zaidi ya 3,467 katika shughuli zetu zote za biashara.

Wadau wengine

Serikali

Tumejitolea kulipa walipa kodi nchini Tanzania na Burundi. Sisi kwa bidii na mfululizo hurudisha anuwai ya ada na ada ya kisheria kama Kodi ya Mapato, Kodi ya Thamani ya Kuongeza (VAT), Ada ya Ustadi wa shirika, ada ya Forodha nk.

Kaitika 2019, tulilipa zaidi ya TZS bilioni 156.4 kama ushuru na TZS bilioni 7 kama gawio.

Wauzaji

Tumeshirikiana na zaidi ya makampuni 500 na huduma za ununuzi kutoka Tanzania na nje ya nchi.

Tunafahamu kwamba ili tuweze kufanya kazi, lazima tupate huduma au tupatie rasilimali kutoka kwa jamii na rasilimali hizi nyingine zinakuja kama vifaa.

Jinsi tunavyofanya

Tunajitahidi kuendelea **kushirikisha** wadau muhimu mara kwa mara na kwa uwajibikaji

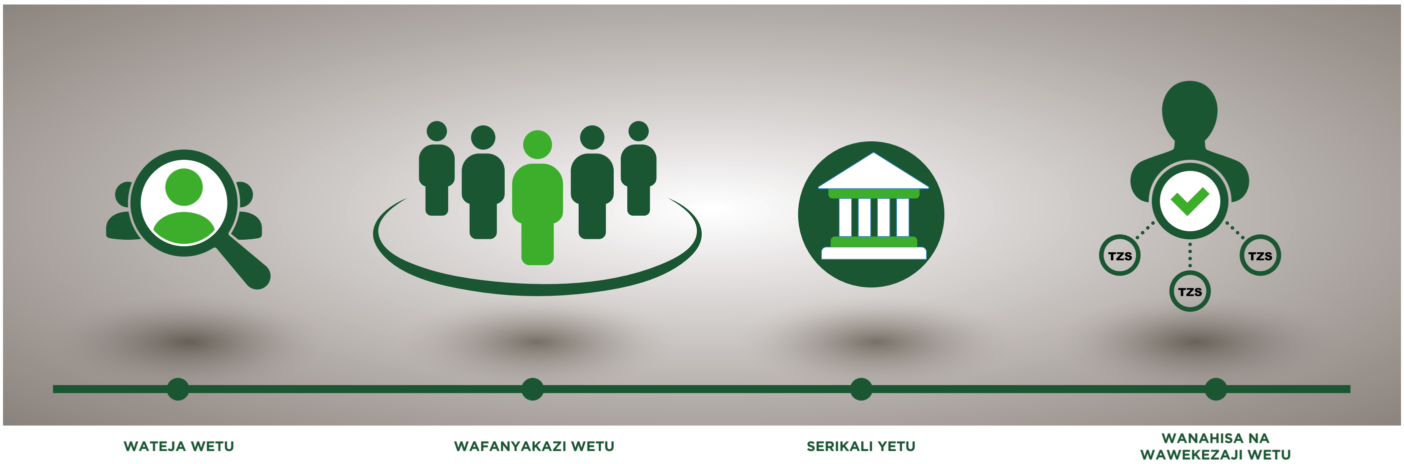
Kwenye jamii

Katika mwaka wa fedha wa 2019, tulitimiza **ahadi yetu kujitolea na kutumia zaidi ya**

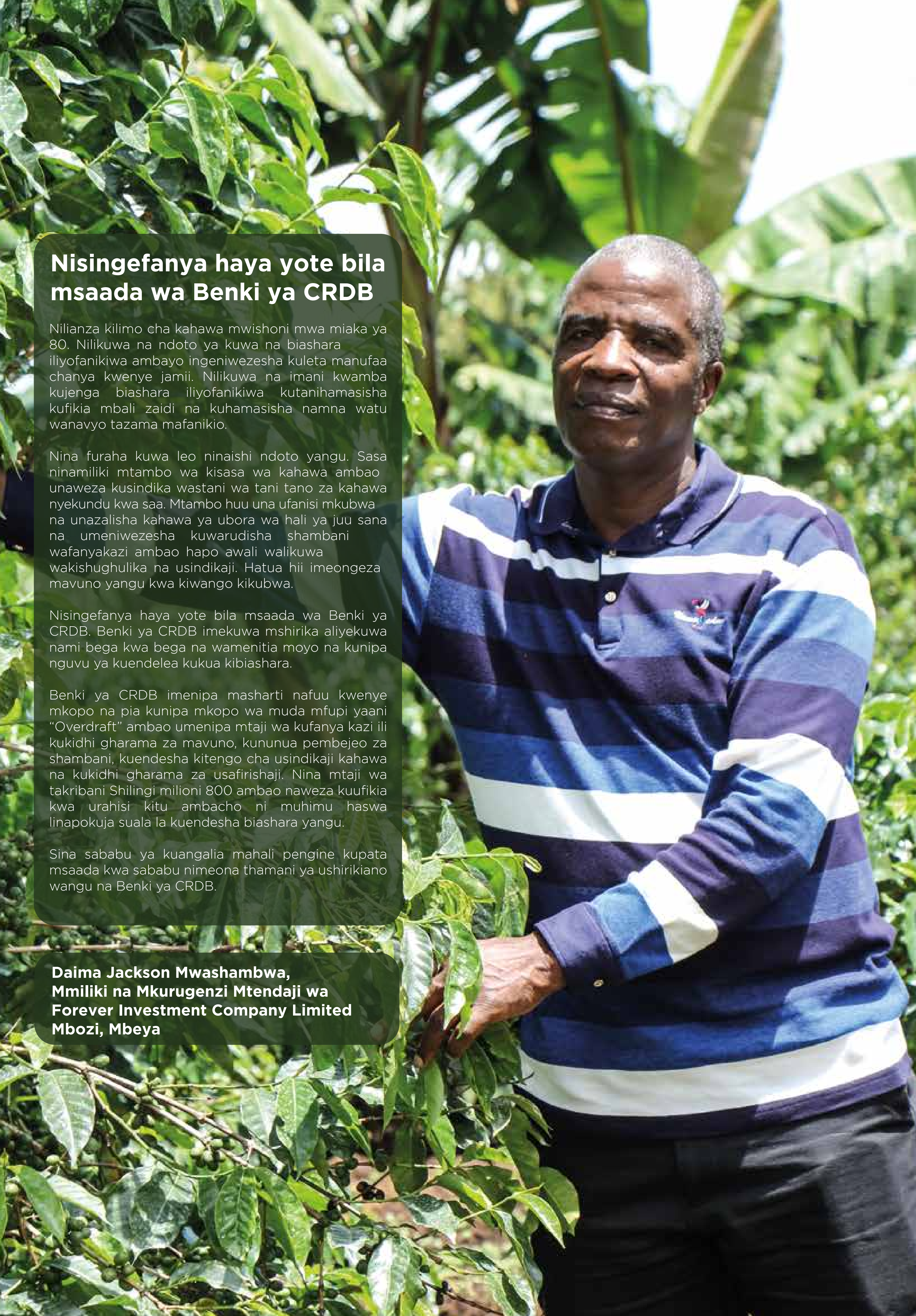
1% ya faida baada ya kodi

katika kusaidia mipango ambayo ina mchango mkubwa kwa jamii.

TAARIFA YA ONGEZEKO LA THAMANI



Taarifa ya Ongezeko la Thamani	2019 TZS Milioni		2018 TZS Milioni	
Mapato yaliyotokana na utoaji wa huduma za kibenki	**660,397**		611,989	
Gharama za utoaji wa huduma za kibenki	**(116,308)**		(143,444)	
Ongezeko la thamani kwenye huduma za kibenki	**544,089**		468,545	
Mapato mengine ya uendeshaji	**229,629**		193,554	
Gharama zingine za uendeshaji	**(279,455)**		(309,184)	
Ongezeko halisi la thamani	**494,263**		352,915	
Thamani ya fedha iliyotumika				
Kwa wafanyakazi:				
Mishahara na masilahi mengine	**200,953**	**41%**	160,867	46%
Kwa wanahisa:				
Gawio kwa wanahisa wengine	**29,119**	**6%**	13,703	4%
Gawio kwa Serikali	**15,285**	**3%**	7,193	2%
Kodi mbalimbali kwa Serikali:				
Kodi ya mapato	**49,024**		43,703	
Kodi ya mishahara (PAYE)	**51,019**		42,349	
Tozo ya uendelezaji ufundi stadi (SDL)	**8,547**		7,301	
Ushuru wa Bidhaa	**24,104**		20,162	
Kodi ya ungezeko la thamani (VAT)	**23,671**		32,599	
Jumla ya Kodi	**156,365**	**32%**	146,114	41%
Kwa ukuaji wa biashara:				
Uchakavu, kodi iliyoahirishwa na malimbikizo	**92,541**	**18%**	25,038	7%
Mgawanyo wa Ongezeko la thamani	**494,263**	**100%**	352,915	100%



Nisingefanya haya yote bila msaada wa Benki ya CRDB

Nilianza kilimo cha kahawa mwishoni mwa miaka ya 80. Nilikuwa na ndoto ya kuwa na biashara iliyofanikiwa ambayo ingeniwezesha kuleta manufaa chanya kwenye jamii. Nilikuwa na imani kwamba kujenga biashara iliyofanikiwa kutanihamasisha kufikia mbali zaidi na kuhamasisha namna watu wanavyo tazama mafanikio.

Nina furaha kuwa leo ninaishi ndoto yangu. Sasa ninamiliki mtambo wa kisasa wa kahawa ambao unaweza kusindika wastani wa tani tano za kahawa nyekundu kwa saa. Mtambo huu una ufanisi mkubwa na unazalisha kahawa ya ubora wa hali ya juu sana na umeniwezesha kuwarudisha shambani wafanyakazi ambao hapo awali walikuwa wakishughulika na usindikaji. Hatua hii imeongeza mavuno yangu kwa kiwango kikubwa.

Nisingefanya haya yote bila msaada wa Benki ya CRDB. Benki ya CRDB imekuwa mshirika aliyekuwa nami bega kwa bega na wamenitia moyo na kunipa nguvu ya kuendelea kukua kibiashara.

Benki ya CRDB imenipa masharti nafuu kwenye mkopo na pia kunipa mkopo wa muda mfupi yaani “Overdraft” ambao umenipa mtaji wa kufanya kazi ili kukidhi gharama za mavuno, kununua pembejeo za shambani, kuendesha kitengo cha usindikaji kahawa na kukidhi gharama za usafirishaji. Nina mtaji wa takribani Shilingi milioni 800 ambao naweza kuufikia kwa urahisi kitu ambacho ni muhimu haswa linapokuja suala la kuendesha biashara yangu.

Sina sababu ya kuangalia mahali pengine kupata msaada kwa sababu nimeona thamani ya ushirikiano wangu na Benki ya CRDB.

Daima Jackson Mwashambwa,
Mmiliki na Mkurugenzi Mtendaji wa Forever Investment Company Limited
Mbozi, Mbeya

Benki ya CRDB Imenipa Elimu kubwa ya Ujasiriamali

Nilianza biashara miaka zaidi ya 10 iliyopita nikijihusisha na biashara ya mazao hususani Alizeti na Mpunga. Nilianza kujihusisha na huduma za kibenki mwaka 2012 na mwaka 2013 nilikopa kwa mara ya kwanza kupitia benki ya CRDB. Mkopo wangu wa kwanza ulikua TZS 30,000,000 kupitia tawi la Mwanjelwa. Hii ilikua ni baada ya kushindwa kupata huduma hiyo katika baadhi ya taasisi za kifedha kutokana na kuonekana sikuwa na vigezo. Imani ya maafisa wa benki ya CRDB waliyonionesha ilinipa nguvu ya kuhakikisha ninafanya kazi kwa uaminifu ili nisiwaangushe, tangu hapo nimekua mkopaji mara kadhaa na mara ya mwisho nimekopeshwa milioni mia moja na hamsini (150,000,000).

CRDB imenipa elimu kubwa ya ujasiriamali kwani nilikua miongoni mwa wateja wachache waliopata safari ya kwenda Malaysia kujifunza kwa kuona pia kutembelea maonesho mbalimbali. Benki hii imenipa fursa adhimu ya kuwa mwanamke ninayeaminika na kuheshimika katika jamii yangu. Tangu nilipoanza kunufaika na mikopo ya benki ya CRDB nimefanikiwa kukuza biashara yangu na kuwa mmoja wa wafanyabiashara wakubwa wa mafuta ya alizeti mkoani Mbeya. Nimeweza pia kujenga Nyumba nzuri ya kuishi na pia kujenga hoteli ndogo ambayo iko katika hatua za mwisho za kufunguliwa. Kadhalika, nimenunua mashamba ya kulima mpunga na gari langu binafsi.

Kwa kweli, Benki ya CRDB ni benki bora na yenye kukidhi haja na matarajio ya wanawake wengi. Benki hii inasikiliza, benki hii inao washauri wa kibiashara wazuri na wenye upendo, huduma zao ni nzuri na za uhakika.

Sofia Alphonce, 46
Mjasiriamali, Mbeya

DR. ALLY H. LAAY
MWENYEKITI WA BODI

TAARIFA YA MWENYEKITI

Napenda kuwasilisha kwenu taarifa ya mwaka ya Benki ya CRDB na kampuni zake tanzu pamoja na taarifa ya fedha kwa mwaka unaoishia tarehe 31 Disemba 2019.

Mwaka 2019 ulikuwa ni mwaka wetu wa pili wa utekelezaji wa mpango mkakati wa miaka mitano ambao unalenga kuleta mabadiliko ya kiteknolojia. Nafurahi kuwajulisha kuwa matokeo ya Benki ya CRDB na kampuni zake tanzu mwaka 2019 yalirejea kwenye ubora wake yakichangiwa na kujidhatiti kwetu kutoa huduma bora kwa wateja na thamani kwa wanahisa kupitia mpango mkakati wenye tija. Kipaumbele chetu kilikua ni kuongeza ufanisi katika uendeshaji na kuboresha huduma zetu ili kuendana na mahitaji yanayo badilika ya wateja wetu sambamba na mpango mkakati mzuri wa utoaji mikopo na kutanua wigo wa huduma za kibenki kwa njia mbadala.

Ninafuraha kuripoti kwamba Benki ya CRDB na kampuni zake tanzu zilipata matokeo mazuri ya kifedha mwaka 2019 ambapo faida halisi ilikua shillingi bilioni 120.1, ongezeko la asilimia 87.3 kutoka mwaka 2018. Kiwango cha ukuaji wa mapato ya mtaji (ROE) kilikua kutoka asilimia 8.3 mwaka 2018 hadi asilimia 13.8 mwaka 2019 na mapato kwa kila hisa yaliongezeka kwa asilimia 87.0 hadi kufikia shilingi 46.0 kutoka shilingi 24.6 iliyoripotiwa mwaka 2018. Kipaumbele chetu ni kuhakikisha kuwa matokeo haya yanakuwa endelevu ili kuwawezesha wanahisa kunufaika na uwekezaji wao. Nina imani kubwa na Afisa Mtendaji Mkuu wa Benki ya CRDB na kampuni zake tanzu, Bw. Abdulmajid Nsekela ambae ameonyesha uongozi uliotukuka tangu alipoingia kazini na ameendelea kutekeleza mikakati mipya ya kibiashara ambayo Bodi inaona kuwa ni muhimu na endelevu.

Kwa ujumla ukuaji wa uchumi wa Tanzania umeendelea kuwa imara mwaka 2019 ambapo ulikua kwa asilimia 6.8 ukichangiwa na kuongezeka kwa uwekezaji wa serikali katika sekta ya miundombinu, sekta ya uzalishaji, kilimo na utalii. Sekta ya Biashara Ndogo na Kati ilionyesha ukuaji ikichangiwa na mazingira bora ya kiuchumi pamoja na uimara wa wafanyabiashara wenyewe katika masoko tunayoendesha shughuli zetu. Benki Kuu ya Tanzania iliendelea kufanya maboresho katika jitihada zake zinazolenga kuhamasisha mabenki yaweze kukopesha sekta binafsi. Jitihada hizi ni pamoja na kushuka kwa kiwango cha akiba ya mabenki inayowekwa Benki Kuu ya Tanzania kutoka asilimia 8 hadi asilimia 7 hatua iliyosababisha kukua kwa mikopo ya sekta binafsi kufikia asilimia 11 mwaka 2019 ikiwa ni zaidi ya kiwango cha asilima 4.9 kwa mwaka 2018. Ukuaji wa mzunguko wa fedha umeendelea kuimarika ukiendana na sera rafiki za kifedha zilizotekelezwa kukuza mazingira ya kibiashara. Mzunguko wa fedha (M3) ulikua kutoka asilimia 4.5 kwa mwaka 2018 hadi asilimia 9.6.

Tanzania imeendelea kubaki kuwa mhimili wetu mkuu wa biashara ukichangia kiwango kikubwa cha faida ya Benki ya CRDB na kampuni zake tanzu. Kampuni zetu tanzu za Benki ya CRDB Burundi na Kampuni ya udalali wa Bima ya CRDB pia zimeendelea kufanya vyema katika matokeo yao ya kibiashara.

Katika kipindi cha mwaka husika, Bodi ilipitisha azimio la kusimamisha shughuli za kampuni tanzu ya Microfinance na kuzihamishia kampuni mama ili kuongeza nguvu katika utendaji. Tumetoa kipaumbele kikubwa kwenye mchakato wa kuboresha hatua za utendajikazi kupitia uvumbuzi na mabadiliko katika wigo mzima wa biashara. Tunaamini kwamba ili tuendelee kushindana katika mazingira ya biashara yanayobadilika kwa haraka, ni lazima tubuni bidhaa bora kwa ajili ya sasa na siku zijazo.

Dhamira ya Benki kutanua wigo wa huduma katika eneo la ukanda wa Afrika Mashariki na Kati bado iko hai na tunafurahi kuona fursa za ukuaji katika masoko mapya kama Jamhuri ya Kidemokrasia ya Kongo (DRC). Mabadiliko endelevu yaliyoletwa na utulivu wa kisiasa na uchumi imara unatupa ujasiri wa kuwa na mpango mkakati bora ya kuwekeza katika soko hilo. Hivi sasa tuko katika nafasi nzuri sana ya kuingia nchi ya DRC ambayo ina zaidi ya watu milioni 86.

Mageuzi ya Kidijitali

Mageuzi ya kidijitali yameendelea kubaki kuwa kitovu cha mkakati wetu wa ukuaji na yameendelea kuwa na mchango mkubwa katika biashara yetu. Tumejikita katika matumizi ya teknolojia ya kidijitali jambo ambalo limechangia sana kwenye matokeo yetu ya kibiashara na kuboresha uwezo wetu wa kutoa huduma. Kupitia huduma zetu za kidijitali, tumeweza kuhudumia zaidi ya watu milioni 3 kwa urahisi bila kuhitaji kufika kwenye matawi yetu na hivyo kupunguza msongamano matawini. Kwa mwaka 2019, asilimia 86 ya miamala yetu ilifanyika kwa njia za kidijitali ikiwemo SimBanking, ATM, CRDB Wakala na Huduma ya Benki kwa Njia ya Mtandao (Internet Banking).

Utawala wa Kampuni

Bodi inatambua umuhimu wa kuwa na uwiano katika kukidhi matakwa ya wadau wote wa Benki ya CRDB na kampuni zake tanzu kwa kuhakikisha tunalinda uwekezaji wa wanahisa na kufuata sheria na taratibu zilizowekwa. Tumeendelea kuboresha usimamizi wa viashiria vya hatari kuendana na sheria na taratibu zilizopo katika masoko tunayofanya shughuli zetu za kibiashara.

Katika mabadiliko yanayoendelea, tumewekeza katika mifumo ya kuwafahamu kiundani wateja wetu (KYC), pamoja na sera na taratibu zinazohusu kuzuia utakatishaji wa fedha haramu suala ambalo linatupa uwezo wa kutambua shughuli zisizo za kawaida katika uendeshaji wetu. Tumejidhatiti katika kuhakikisha tunafikia matarajio ya wasimamizi wetu na kutimiza matakwa ya wadau wetu wote.

Mabadiliko Kwenye Bodi na Menejimenti

Bodi iliweza kufanikisha mambo mengi muhimu mwaka 2019, ambapo sehemu ya hayo ni pamoja na kuidhinisha muundo mpya wa taasisi na kuwapa wafanyakazi majukumu sawa na muundo mpya wa taasisi sambamba na muundo mpya wa uendeshaji. Zaidi ya hapo tulifanya utafiti wa sera yetu ya TEHAMA na kuidhinisha mpango mkakati wa TEHAMA ili kuweza kuipa uwezo zaidi teknolojia ya habari kutoa mchango mkubwa zaidi kwa Benki ya CRDB na kampuni zake tanzu.

Ili kuendana na taratibu zetu za masuala ya utawala, wajumbe wapya wanne walichaguliwa kwenye Bodi ambao ni Dkt. Fred M. Msemwa (akiwakilisha wanahisa wenye hisa kuanzia asilimia 1 hadi asilimia 10), Bw. Abdul A. Mohammed (akiwakilisha wanahisa wenye hisa chini ya asilimia 1), Bw. Martin S. Warioba (Mjumbe wa kujitegemea) na Dkt. Edwin P. Muhede ambae alichaguliwa kuwakilisha mfuko wa uwekezaji wa DANIDA (DIF). Dkt. Edwin P. Muhede alichaguliwa kumrithi Bw. Charles E. Kichere ambae alichaguliwa kuwa Mdhibiti na Mkaguzi Mkuu wa Hesabu za Serikali. Pasipo chembe ya mashaka yoyote, naamini kuwa wajumbe wapya wataongeza ujuzi mkubwa na ufanisi wa Bodi kutokana na weledi wao na historia yao katika kazi zao. Kwa niaba ya Bodi, napenda kuwakaribisha kwa moyo mkunjufu.

Vile vile napenda kumshukuru Bw. Ebenezer Ngea Essoka ambae alimaliza muda wake kwenye Bodi katika kipindi cha mwisho wa mwaka. Mchango wake usiopimika utaendelea kuwa muhimu kwetu na utakumbukwa. Bw. Boniface C. Muhegi na mimi tulichaguliwa tena kuwakilisha kundi la wanahisa wanaomiliki chini ya hisa asilimia 1.

Ili kuongeza kasi ya ukuaji wetu kupitia mabadiliko, Bodi iliidhinisha ajira za wakurugenzi wapya kwenye safu ya uongozi wa Benki ili kujaza nafasi za viongozi walioondoka kipindi cha mwaka husika. Wakurugenzi wapya ni pamoja na Bw. Siaphoro Kishimbo (Mkurugenzi wa Rasilimali Watu), Bw. Pendason Philemon (Mkurugenzi wa Ugavi), Bw. Boma Raballa (Mkurugenzi wa Huduma za wateja wadogo na kati) na Bw. Godfrey Sigalla (Mkurugenzi wa Ukaguzi wa Ndani). Bodi ina imani na wakurugenzi hawa katika kuleta mchango chanya katika mabadiliko na ukuaji wa Benki ya CRDB na kampuni zake tanzu.

Pendekezo la Gawio

Nafurahi kuwasilisha pendekezo la gawio la Shilingi 17 kwa hisa kwa mwaka unaoishia tarehe 31 Disemba 2019 ambalo litalipwa kwa wanahisa waliosajiliwa hadi tarehe 30 Juni 2020. Azimio hili litawasilishwa kwenye Mkutano Mkuu ili kupitishwa na wanahisa.

Biashara Endelevu

Benki ya CRDB na kampuni zake tanzu zimeazimia kuwa kinara katika biashara endelevu na kujidhatiti katika safari hii kama mwajiri, mshirika wa biashara, mwanajamii, mtunza mazingira na mtoa thamani kwa wanahisa. Ni imani yetu kuwa kwa kufikiri na kwa kutenda kwa kulenga biashara endelevu, tutaweza kutoa huduma na matokeo ya kifedha bora na hivyo kuziweka Benki ya CRDB na kampuni zake tanzu katika nafasi nzuri katika siku zijazo.

Tumeweka mkazo katika kutekeleza mkakati endelevu ambao unatuwezesha kutengeneza thamani ya muda mrefu kwa wadau wetu wote. Kipekee, tumeweza kubadilisha namna tunavyofanya kazi kwa kuzingatia masuala ya ekolojia, jamii na mazingira ya uchumi. Ni imani yetu kuwa tunapotengeneza mkakati endelevu, tunaweza kufanya Benki ya CRDB na kampuni zake tanzu likadumu kwa muda mrefu. Kutokana na hilo tumeamua kutumia muundo wa biashara ambao unajikita katika ukuaji na nidhamu ya kudhibiti viashiria vya hatari, ufanisi wa utekelezaji na uimara wa hesabu za mizania.

Bodi inathamini mchango wa Benki ya CRDB na kampuni zake tanzu katika masuala ya utunzaji wa mazingira ili kuleta thamani kwa wadau wote na kuwa kampuni inayojali masuala ya kijamii na mazingira. Tumejikita kufikia biashara endelevu kwa kutimiza majukumu tuliyopewa na wadau wetu, wateja na jamii inayotuzunguka. Biashara endelevu kwetu ina maana ya kuwezesha wateja wetu kutimiza mahitaji yao ya kifedha na kuboresha maisha yao huku tukifanya biashara yetu kwa kuzingatia mahitaji ya jamii na kufuata sheria na taratibu katika nchi tunazoendesha shughuli zetu. Pia tunaamini katika kutoa ajira zenye uhakika na maendeleo ya wafanyakazi ambao ni msingi wa biashara yetu.

> **“Ni imani yetu kuwa kwa kufikiri na kutenda tukilenga masuala endelevu, tutaweza kutoa huduma na matokeo ya kifedha bora na hivyo kuziweka Benki ya CRDB na kampuni zake tanzu katika nafasi nzuri huko mbeleni.”**

Tumedhamiria kuendelea kutoa mikopo kwa umakini, kupunguza hewa ya ukaa, kushiriki katika malengo ya maendeleo endelevu (SDGs) na kuwa kinara katika utunzaji wa mazingira. Leo tunajivunia kuwa benki ya kwanza ya biashara nchini kupewa tuzo na United Nations Green Climate Fund (GCF) kama muwezeshaji katika miradi ya utunzaji mazingira.

Kupitia bidhaa zetu zinazolenga sekta mbalimbali ikiwemo sekta ya kilimo, uzalishaji na biashara ndogo na kati, tunataka kutengeneza mazingira rafiki kwa wakulima na wajasirimali ili kukuza vipato vyao kwa kupitia kuwezesha hatua zote za mnyororo wa kukuza thamani. Lakini pia juhudi zetu za kuhakikisha tunaongeza wigo wa watanzania waliofikiwa na huduma za kibenki na kusaidia wanawake, zinabaki kuwa chachu kubwa ya ukuaji wetu na tunaona kuwa sehemu hizi mbili zina fursa kubwa kwetu kuweza kutoa mchango. Tumejidhatiti kusaidia serikali za Tanzania na Burundi kufanikisha maono yao ya ukuaji kwa kutekeleza miradi mbalimbali ambayo itachangia kuleta maendeleo endelevu.

Tutaendelea kusaidia jamii zetu kupitia sera yetu ya kurudisha kwenye jamii tukiwa na malengo ya kuleta matokeo chanya kwenye jamii. Kupitia sera yetu ya kurudisha kwenye jamii, tumejiwekea mkakati wa kuwekeza asilimia 1 ya faida yetu baada ya kodi katika masuala ya kijamii ambayo yanalenga kunufaisha wengi lakini pia endelevu. Kwa kupitia msingi imara tulioweka kwenye kurudisha faida kwa jamii, tunaziwezesha kampuni zetu tanzu ziweze kuwa na sera zao binafsi na miradi yao inayoendana na uhalisia wao. Katika kipindi cha mwaka husika tuliweza kutoa michango mikubwa kwenye masuala mbalimbali ya kijamii kuanzia kwenye sekta ya afya, vijana, michezo pamoja na elimu. Michango hii imeweza kuelezewa kwa kina katika taarifa hii ya mwaka.

Mwelekeo wa Siku zijazo

Sekta ya benki katika masoko tunayofanya kazi imeendelea kuimarika na imezidi kuwa na ushindani kutokana na ubunifu unaoendelea na kubalidika kwa haraka kwa mahitaji ya wateja. Katika siku za karibuni, sekta ya benki imeshuhudia kuunganishwa kwa mabenki na mwelekeo mzuri upande wa kutengeneza faida na kupungua kwa wingi wa mikopo chechefu hali ilivyokuwa miaka michache iliyopita.

Mlipuko wa ugonjwa wa Corona umeendelea kuathiri nchi na biashara nyingi ulimwenguni. Sisi ni benki inayojali na kipaumbele chetu ni kulinda afya za wafanyakazi wetu, wateja na wanahisa wetu lakini pia tukiweka mchango wetu katika kuilinda jamii kwa ujumla. Tumeweka mpango wa dharura katika maeneo tunayofanya biashara na kuchangia kwenye ustawi wa jamii. Tumeendelea kufuatilia kwa karibu hali ilivyo na kuweka tayari kila kitu kinachohitajika ili kujikinga na madhara ya virusi hivi na mlipuko wake.

Benki ya CRDB na kampuni zake tanzu limeendelea kujidhatiti kufanya kazi na wabia katika kutanua wigo wa upatikanaji wa huduma za benki kwa sababu tunaamini kwa kufanya hivyo tutaongeza uwezo wa kujiwekea akiba, kupunguza pengo la kipato na umaskini, kuongeza ajira na kuboresha maisha ya wananchi kwa ujumla.

Shukrani

Napenda kuwashukuru wajumbe wenzangu wa Bodi kwa mchango wao uliotukuka na uongozi walioutoa katika kipindi chote cha mwaka. Kwa umuhimu huo huo napenda kuwashukuru wateja wetu kwa kuendelea kutuamini katika biashara yetu.

Vile vile napenda kutoa shukrani zangu za dhati kwa uongozi wa Benki na wafanyakazi kwa mchango wao mkubwa. Wameweza kufanya kazi kwa juhudi kubwa zaidi ya vile inavyohitajika ili kuweza kuwahudumia wateja wetu.

Benki ya CRDB na kampuni zake tanzu zina deni kubwa kwa wanahisa wetu, wawekezaji, wasimamizi na timu yote ya wafanyakazi wa Benki ya CRDB kwa mchango wao katika mafanikio yetu. Tunatoa ahadi ya kuendelea kutafuta mafanikio zaidi kwa kuwa Benki inayomsikiliza kila mdau wetu.

Pamoja Tunasonga Mbele!

Dr. Ally Hussein Laay
Mwenyekiti wa Bodi

ABDULMAJID M. NSEKELA

AFISA MKUU NA MKURUGENZI MTENDAJI

TAARIFA YA AFISA MKUU NA MKURUGENZI MTENDAJI

Nilipokabidhiwa jukumu la kuongoza Benki ya CRDB na kampuni zake tanzu robo ya mwisho ya mwaka 2018, nilipata nguvu kutokana na maono juu ya mustakabali wetu. Kufanya kazi na uongozi makini, Bodi imara na wafanyakazi wanaojituma imekuwa ni jambo la kujivunia na imenipatia uzoefu muhimu sana. Napenda kuishukuru Bodi kwa kuendelea kuniunga mkono, kuniamini na kunipa mwongozo ambao umesaidia kuweka msingi imara wa utamaduni wetu wa kufanya kazi kuanzia ngazi ya juu hadi chini, huku tukipewa msukumo na malengo tuliyonayo na tukiongozwa na maadili yetu ya msingi kiutendaji. Kutokana na hili tuliweza kufanya kazi nzuri, kupata matokeo bora ya kifedha kwa mwaka 2019 na kujenga thamani endelevu kwa wadau wetu.

Katika kipindi cha mwaka 2019, Benki ya CRDB na kampuni zake tanzu lilianzisha muundo mpya wa uendeshaji ili kuongeza ufanisi, ubora wa utoaji huduma na uwezo wa kufanya maamuzi. Nafurahi kuona muundo huu mpya wa uendeshaji umeboresha sana uwezo wetu wa kuhudumia wateja wetu na kufanikiwa kupata matokeo mazuri na yenye tija kwa wadau wetu.

Matokeo ya Biashara

Matokeo ya Benki ya CRDB na kampuni zake tanzu kwa mwaka 2019 yamedhihirisha umuhimu wa kujenga misingi imara ya ukuaji. Mafanikio yaliyopatikana katika kipindi hiki, yanaashiria mwelekeo mzuri wa ukuaji na tuna uwezo mkubwa wa kuwa benki yenye nguvu zaidi na kimbilio la wateja wengi katika ukanda wetu na maeneo mengine.

MATOKEO KWA UFUPI

2018		2019
MIKOPO TZS 3.1 TRILIONI	8%	MIKOPO TZS 3.4 TRILIONI
AMANA TZS 6.0 TRILIONI	9%	AMANA TZS 6.6 TRILIONI
AMANA ZA WATEJA TZS 4.7 TRILIONI	11%	AMANA ZA WATEJA TZS 5.2 TRILIONI
FAIDA KABLA YA USHURU TSh 99.1 BILIONI	76%	FAIDA KABLA YA USHURU TZS 174.7 BILIONI
FAIDA BAADA YA USHURU TZS 64.1 BILIONI	87%	FAIDA BAADA YA USHURU TZS 120.1 BILIONI

Ninayo furaha kubwa kuripoti juu ya baadhi ya maeneo muhimu tuliyofanikiwa kupata matokeo mazuri kama ilivyooneshwa katika taarifa za fedha kwa mwaka 2019. Faida ya Benki ya CRDB na kampuni yake tanzu baada ya kodi ilikua kwa asilimia 87.3 hadi kufikia shilingi bilioni 120.1 ikichangiwa na ukuaji wa hesabu zetu za mizania. Hii ilitokana na kuboreka kwa ufanisi katika utendaji wetu, gharama za uendeshaji, uvumbuzi mpya na kuongezeka kwa mauzo yetu kupitia mikakati bora ya masoko na kuwa karibu na wateja.

Amana zetu zilikua kwa asilimia 11.0 hadi kufikia shilingi bilioni 5,202.2, ambayo kwa kiasi kikubwa zilizotokana na wateja wadogo na kati kutokana na mtandao wetu mpana wa utoaji huduma. Tunashukuru kwa mtandao wetu wa CRDB Wakala ambao ulichangia kwa kiasi kikubwa mafanikio haya. Mali za Benki ya CRDB na kampuni zake tanzu zilikua hadi kufikia shilingi bilioni 6,597.2 ambayo ni sawa na ukuaji wa asilimia 9.3. Ukuaji wa mali na amana unaashiria uimara wa hesabu zetu za mizania zinazofanya tuendelee kuwa benki ya biashara kubwa zaidi sokoni.

Shauku na jitihada zetu za kusaidia biashara na watu binafsi kupitia mikopo zimeonyesha kuzaa matunda kama inavyoonekana katika ukuaji wa taarifa zetu za mikopo, ambayo imeongezeka kwa asilimia 8 hadi kufikia Shilingi bilioni 3,382.0 ikilinganishwa na shilingi bilioni 3,126.7 zilizoripotiwa mwaka 2018. Ukuaji huu ulichangiwa sana na juhudi zetu endelevu za kuinua sekta ya wajasiriamali wadogo na wa kati (SMEs) na sekta ya wateja wadogo na kati. Pia, tulizindua idadi kubwa ya bidhaa za mikopo ikiwemo mikopo ya wazabuni, wakandarasi na waendesha shughuli za utalii. Huduma hizi zilibuniwa kwa kuelewa kwa kina mahitaji ya haraka ya wateja wetu. Tuligundua kuwa wajasiriamali wengi wanahitaji mikopo ya haraka ili kuweza kutoa huduma au bidhaa hususan wanapofanya biashara na serikali kwa kuwa hutoa huduma kabla ya kulipwa.

Pia tulianzisha bidhaa mbili za mkopo kwa njia ya kidijitali: Boom Advance mkopo kwa wanafunzi wa vyuoni unaowawezesha kujikimu kabla hawajapokea mikopo yao kutoka Bodi ya Mikopo ya Wanafunzi wa Elimu ya Juu. Pia tulitafuta namna ya kuwawezesha wajasiriamali wadogo wa mijini wajulikanao kama (machinga) ambao ni sehemu muhimu ya uchumi wa reja reja. Baada ya serikali kutambulisha mfumo rasmi wa kuwatambua wamachinga kwa kuwapatia vitambulisho tuliona ni vyema tukawatambua kwenye mfumo rasmi wa huduma za kifedha, hivyo Benki ikazindua mkopo wa Jiwezeshe ambao ni mkopo wa bei rahisi unaowawezesha kutumia kukuza biashara zao. Tunaamini kuwa wajasiriamali wadogo wana mchango muhimu katika kuwezesha biashara mbalimbali na hivyo kwa kuwapa fursa ya mikopo tutaweza kuongeza kasi ya ukuaji wao, na kuongeza mchango wao kwa ukuaji wa uchumi wa nchi.

Kampuni zetu tanzu zilikua na mchango mkubwa katika ukuaji wetu kutokana na kuwa na matokeo mazuri katika nyanja zote muhimu. Faida halisi ya Benki ya CRDB Burundi iliongezeka kwa asilimia 146 hadi kufikia shilingi bilioni 6.4 kutoka shilingi bilioni 2.6 zilizoripotiwa mwaka 2018. Hii ni faida kubwa zaidi kwa kampuni tanzu hii tangu kuanzishwa kwake mwaka 2012. Ukuaji huu pia ulichangiwa kwa kiasi kikubwa na uboreshaji wa mazingira bora ya biashara pamoja na ushirikiano mkubwa tunaoupata kutoka Serikali ya Jamhuri ya Burundi. Jumla ya mali kwa kampuni tanzu ilikua kwa asilimia 32 hadi kufikia shilingi bilioni 258.5.

Kampuni tanzu ya udalali wa bima (CRDB Insurance Broker Limited) iliripoti ukuaji wa asilimia 17 katika faida halisi na kufikia shilingi bilioni 1.5 kutoka shilingi bilioni 1.3 katika mwaka 2018. Mapato yote yaliyotokana na kampuni tanzu yaliongezeka kwa shilingi bilioni 7.8 ambayo ni sawa na ukuaji wa asilimia 26 ikilinganishwa na shilingi bilioni 6.1 zilizoripotiwa mwaka 2018. Ukuaji ulichangiwa kwa kiasi kikubwa na kuongezeka kwa mauzo ya bidhaa za bima haswa katika bima za matibabu, elimu na utalii.

Katika suala la uvumbuzi, kampuni tanzu ya CRDB Insurance Broker Limited, pamoja na wabia wa kimataifa walitengeneza bidhaa mahususi ambazo zinakidhi mahitaji ya kipekee katika soko. Mojawapo ya bidhaa mpya iliyobuniwa ilikuwa ni Bima ya kilimo, iliyoendelezwa kwa kushirikiana na Chuo cha Imperial cha London, Munich Re, kampuni ya bima ya Jubilee Tanzania, na shirika linaloshughulikia Programu ya Chakula Duniani (WFP). Kampuni tanzu ya udalali wa bima pia ilitekeleza mipango muhimu sambamba na mkakati wa Benki ya CRDB na kampuni zake tanzu katika kuboresha ufanisi wa uendeshaji ikiwemo kuboresha uwezo wa mfumo wake mkuu (Core Insurance System) na kuufanya uendane na mahitaji ya kibiashara na usimamizi wa taratibu. Bila shaka, ukuaji huu mzuri wa kampuni zetu tanzu ulisaidia kukuza mapato ya Benki ya CRDB na kampuni zake tanzu, na kuimarisha nguvu yetu katika soko.

Kufuatia tathimini ya shughuli za uendeshaji wa kampuni tanzu ya Microfinance, Bodi ilipitisha uamuzi wa kubadilisha kampuni hiyo na kuunganisha huduma zake na kampuni mama. Kusudi letu ni kutumia miundombinu iliyopo ili kupanua wigo wa utoaji huduma na kuweza kupeleka huduma kwenye jamii ambayo bado haijafikiwa na huduma za kibenki. Uunganishaji huu pia utatuwezesha kuwa na mpangilio mzuri wa rasilimali zetu na kuboresha ufanisi ili kuongeza ukuaji.

Kufuatana na mwongozo wa mamlaka ya usimamizi wa mabenki, tulifanikiwa kupunguza mikopo chechefu (NPLs) hadi asilimia 5.5 ikilinganishwa na wastani wa asilimia 10 ambao upo sokoni. Upunguaji huu muhimu wa mikopo chechefu unatokana na kuboresha mchakato mzima wa utoaji na usimamizi wa mikopo. Mapato yaliendelea kukua na Benki ya CRDB na kampuni zake tanzu ziliweza kukuza umiliki wake katika soko nchini Tanzania kwa zaidi ya asilimia 20.

Kwa ujumla sekta ya benki iliendelea kuwa imara mwaka 2019 pamoja na kanuni za usimamizi kuendelea kuwa thabiti na utekelezwaji wa sheria kali za kuzuia uhujumu uchumi (Anti Money Laundering) na uboreshwaji wa biashara ya fedha za kigeni. Kwa mtazamo wangu, kanuni kali zilizochukuliwa zilionesha changamoto na fursa kwa kiwango sawa na kubadilisha mazingira ya sekta ya fedha japo kwa kiwango kidogo. Nafurahi kuwa tulikuwa tayari kushughulikia changamoto zote ambazo zilijitokeza na tukaendelea kuwa tayari kutoa huduma kwa wateja wetu wote bila kujali mabadiliko yaliyojitokeza.

Vipaumbele

Wateja ndio nguzo muhimu kwetu iliyotufanya kuzidi kuwa na nafasi nzuri sokoni kama benki kinara. Shughuli na mipango yetu itawalenga zaidi kwasababu lengo ni kuhakikisha wateja wanaendelea kutumia huduma zetu na tuweze kutanua wigo wa wateja tulionao kwa kuendelea kuwa karibu nao. Tupo tayari kendelea kutoa bidhaa bunifu zinazokidhi mahitaji ya wateja wetu na kuzidi matarajio yao.

Tumejidhatiti kuendelea kuboresha mahusiano na wateja kwa kutoa huduma za kipekee na kuwa benki yenye kutoa huduma kwa haraka na usalama zaidi kwa wateja wetu wote. Tutaendelea kuwekeza katika teknolojia, kuendeleza vipaji vya wafanyakazi na usalama wa teknolojia ya habari (IT) ili kuwa benki inayokua kila wakati katika mazingira haya yanayobadilika.

Mwisho, kufuatia ahadi ya serikali ya kuharakisha ukuaji wa viwanda kupitia uzalishaji, uongozi na wafanyakazi wa Benki ya CRDB tumejidhatiti kuchukua jukumu kubwa katika kusaidia ukuaji wa uchumi wa nchi. Tutafanya hivyo kwa kubuni bidhaa ambazo zitasaidia sekta muhimu. Kujitolea kwetu kwa muda mrefu kusaidia mnyororo wa kukuza thamani kwenye kilimo bado ni mojawapo ya maeneo yetu muhimu ya kuzingatia pamoja na kuwa tunatarajia kuangalia sekta nyingine kama sekta za miundombinu, majengo na utalii.

Mafanikio muhimu

Kwa kiasi kikubwa mwaka 2019 unabaki kuwa mwaka wa mafanikio na mwanzo mzuri. Nafurahi kuweza kuwashirikisha baadhi ya mafanikio makubwa tuliyofikia yanayotokana na mikakati tuliyokua nayo tangu mwanzo wa mwaka. Mafanikio haya yanaonesha kujitoa kwetu katika kuhakikisha tunakuwa na ukuaji endelevu.

GREEN CLIMATE FUND

Mfuko wa Umoja wa Mataifa wa Masuala ya Tabia ya Nchi (United Nations Green Climate Fund)

Benki ya CRDB ilitunukiwa tuzo ya muwezeshaji wa kifedha kwa Mpango wa Mabadiliko ya Tabia ya nchi wa Umoja wa Mataifa. Benki ya CRDB ndio benki ya kwanza ya kibiashara kwa ukanda wa Afrika Mashariki na Kati (na ya 3 barani Afrika) kupokea heshima hii. Heshima hii inaonesha dhamira ya Benki katika kusaidia Malengo ya Maendeleo Endelevu (SDGs).

Uchangiaji wa Ukuaji wa Uchumi

Tumeshiriki kuwezesha miradi mbalimbali ya maendeleo iliyofanywa na serikali ili kukuza uchumi. Tulitoa dhamana ya mabilioni ya shilingi kwa ajili ya ujenzi wa mradi wa umeme wa Nyerere Hydropower, ujenzi wa reli ya kisasa "Standard Gauge Railway", na kwa sehemu tuliwezesha ujenzi wa uwanja mpya wa ndege wa kimataifa (Julius Nyerere International Airport terminal 3).

Uwezeshaji katika Kilimo

Tulitoa bidhaa za kuwezesha wakulima wa biashara katika mazao ya kahawa, chai, korosho, na pamba. Kipekee tulitoa mikopo kwa wakulima wa pamba na kushirikiana na serikali kuunganisha wakulima na wanunuzi kutoka Asia na Ulaya.

Uwezeshaji wa Sera ya Viwanda

Tulibuni bidhaa maalum ili kuwezesha sera ya viwanda ikiwemo mikopo maalum kuvutia uwekezaji. Benki pia iliandaa makongamano kwa kila mkoa kutoa elimu kuhusu bidhaa zetu na elimu ya fedha kiujumla.

Kutanua wigo wa huduma za kifedha

Tumeongeza mtandao wetu wa utoaji huduma kwa kuongeza vituo vya huduma kupitia mawakala hadi kufikia 14,761 nchini Tanzania.

Kutambulika ndani ya nchi na Kimataifa

Benki ilipokea tuzo nyingi, ambazo zilitambua uvumbuzi wetu na mipango ya mabadiliko kama vile tuzo za The Best MIMs (Main Investment Market Segment) ambayo ilitolewa na Soko la Hisa la Dar es salaam, Benki yenye ubunifu kwenye huduma za benki kwa wateja wa reja reja kutoka kwa jarida la International Banker, Mshindi wa kwanza katika Tuzo za Ubora wa Uwasilishaji wa Ripoti za Mahesabu (FiRe Awards) na Benki Bora nchini Tanzania kutoka Jarida la Financial Times la Uingereza. Pia tulipewa tuzo ya Benki bora ya biashara nchini Tanzania kutoka Global Trade Review.

Jengo Jipya la Makao Makuu

Katika kipindi cha mwaka 2019, Benki iliendelea na ujenzi wa jengo jipya la makao makuu liliopo jijini Dar es Salaam, Tanzania ambalo litawapa wafanyakazi wetu nafasi na wasaa mzuri wa kufanya kazi na kuendesha shughuli zetu. Jengo hilo jipya linatarajiwa kukamilika kabla ya mwisho wa mwaka 2020.

Mtazamo wa baadaye

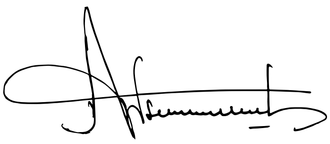
Tumejipanga vizuri ili kuendeleza mafanikio yetu mwaka 2020, tukiwa na ari ya pamoja kufanikisha ukuaji endelevu. Tunatumaini kuwa ingawa kutakuwa na chaguzi nchini Tanzania na Burundi, uchumi wa nchi hizi mbili utabaki imara na kuendelea kuweka mazingira wezeshi kwa ukuaji wa biashara.

Hivi sasa tuko katika tahadhari kutokana na uwezekano wa athari za kiuchumi kwa nchi na dunia kwa ujumla kutokana na kuenea kwa ugonjwa unaosababishwa na kirusi cha COVID-19. Kwa kuwa umeenea dunia nzima, kuna uwezekano kuwa ugonjwa huu utaathiri matarajio yetu ya kibiashara. Tutaendelea kuweka mikakati kulingana na hali halisi ya mabadiliko na kuchukua hatua muafaka kulinda maslahi ya watu wetu na biashara. Hususani, tutatekeleza miradi yote kwa mujibu wa mkakati wetu wa mageuzi ya kidijitali, tutajikita katika biashara yenye mapato yasiyokuwa na riba, usimamizi bora na kuendelea kutoa mikopo kwenye sekta ambazo zinauwezekano wa kutoathirika. Kipaumbele chetu ni kuhakikisha tunaendeleza ukuaji wa amana ili kuwa na ukwasi wa kutosha.

Shukrani

Napenda kuchukua fursa hii kuishukuru Bodi ya Wakurugenzi, Uongozi na Wafanyakazi wote wa Benki ya CRDB kwa jitihada zao ambazo zimetuwezesha kupata mafanikio haya makubwa. Napenda pia kutoa shukrani zangu za dhati kwa wateja wetu, wanahisa, na wawekezaji kwa kutupa nafasi ya kuwatumikia na kwa kutuamini. Tutaendeleza nia yetu ya dhati ya kujenga mfumo madhubuti ambao unatoa majibu kwa mahitaji ya wateja wetu na matarajio ya wanahisa wetu.

Pamoja Tunasonga Mbele!



Abdulmajid M. Nsekela
Mkurugenzi Mtendaji

Mkopo wa Boom Advance Umeniwezesha Kuzingatia Masomo Yangu

Nataka kuwa mfanyakazi wa benki. Nimekulia katika mazingira ya kawaida nikilelewa na mzazi mmoja. Mama yangu aliuza mahindi kulipia ada yangu ya shule na hivyo ndivyo nilivyofika hapa nilipo.

Maisha ya chuo sio rahisi na wenzangu wengi wanategemea mikopo kutoka wakopeshaji wasio rasmi ili kupata pesa za kujikimu wakati tunasubiri boom. Mikopo hii ni ghali sana kwa sababu wanatoza riba kubwa mno.

Niliambiwa kuhusu Boom Advance na marafiki zangu chuoni na tangu wakati huo maisha yangu yamebadilika sana.

Nilikopa Shilingi 120,000 na nilitumia kukidhi mahitaji yangu ya haraka chuoni kabla ya kupokea boom. Nilishauriwa kuwa nilikuwa na siku 60 za kulipa ambazo zilinitosha.

Nimefurahi kuwa Boom Advance imenipa utulivu wa akili niliouhitaji na imeniwezesha kuzingatia masomo yangu. Sina wasiwasi tena juu ya ukosefu wa pesa kwa sababu najua jinsi gani naweza kujikimu muda wowote tutakapokuwa kwenye muhula wa masomo.

Gregory Yuda Luvinga, 23
Mwanafunzi wa takwimu bima
Chuo cha Usimamizi wa Fedha (IFM), Dar es Salaam

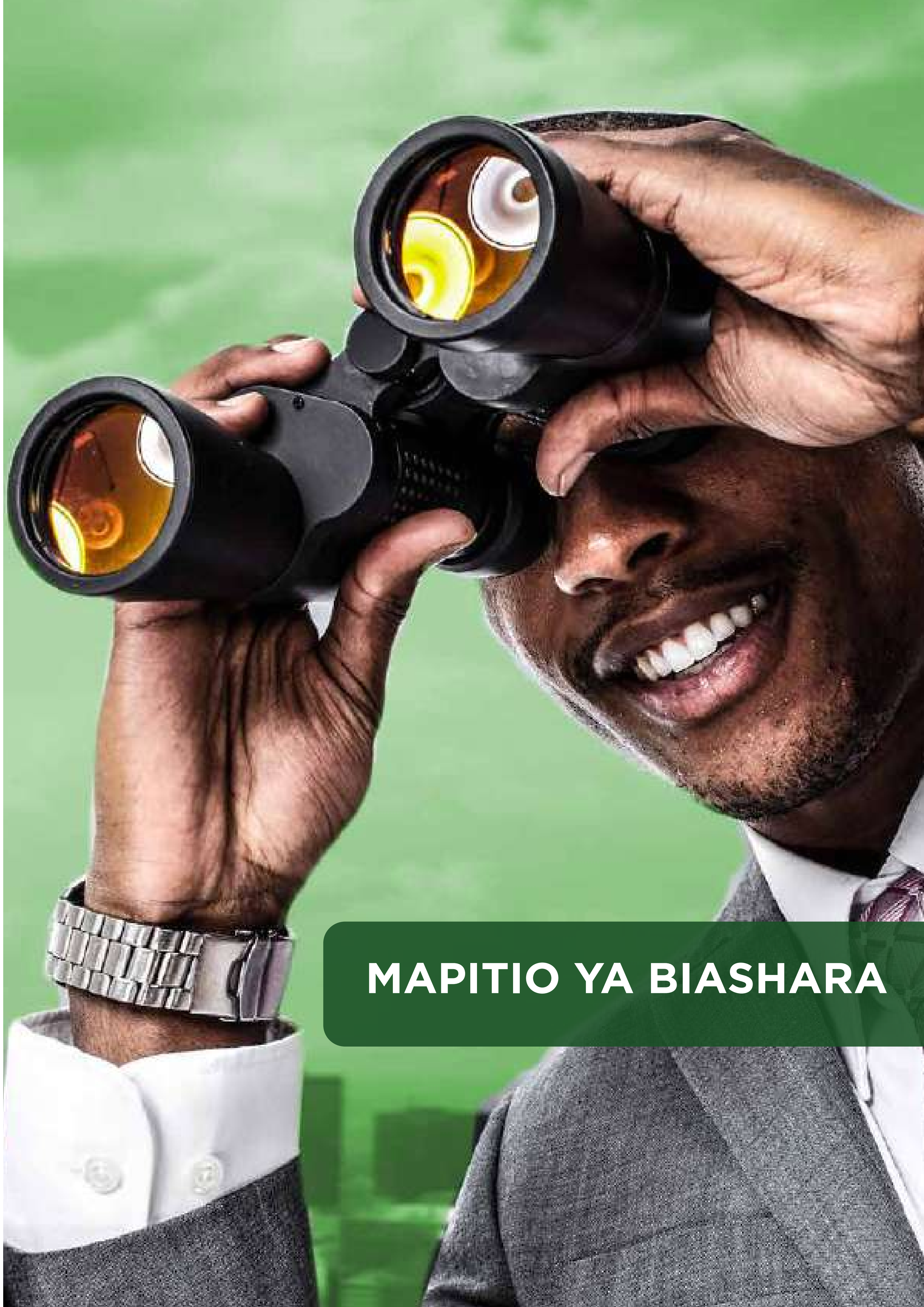
Mkopo wa Machinga ulinipa nguvu ya kukua kibiashara

Nilisikia kuhusu mkopo wa Machinga kutoka Benki ya CRDB kupitia Chama cha Wamachinga Kariakoo (KAWASO). Kabla ya hapo sikujua mengi kuhusu huduma za benki na nilifikiria benki zinalenga watu matajiri. Sikuwahi kujisumbua kujua nini naweza kupata kutoka benki.

Kwanza nilichukua mkopo wa shilingi 200,000 kuongeza bidhaa zangu na hii imebadilisha maisha yangu na leo nahisi nimefanikiwa sana. Nimeweza kuwa na historia nzuri ya urejeshaji wa mikopo na leo naweza kukopa hadi shilingi 400,000 jambo ambalo hunipa ujasiri wa kukua zaidi kibiashara.

Kwa miaka 12 ambayo nimekuwa katika biashara hii, sikuwahi kufikiria kuwa ningeweza kuingia benki. Leo najiona ni mtu muhimu. Mimi sio machinga tu, mimi ni raia mwenye kuchangia katika uzalishaji na kushiriki kikamilifu katika kujenga uchumi wa nchi yangu.

Pastory Msuya, 44
Machinga - Kariakoo, Dar es Salaam



MAPITIO YA BIASHARA


FREDERICK B. NSHEKANABO
AFISA MKUU WA FEDHA

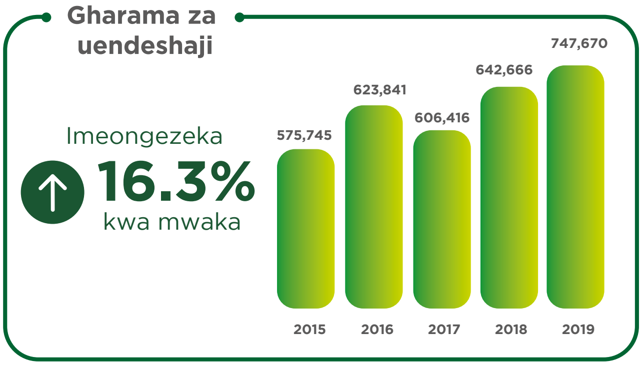
TAARIFA YA AFISA MKUU WA FEDHA

Benki ya CRDB ilifunga mwaka 2019 kwa matokeo yaliyoweka rekodi ambapo mapato halisi yalikuwa shilingi bilioni 120.1 sawa na ongezeko la asilimia 87.3 kutoka mwaka uliopita. Hii inadhihirisha mchango kutoka vitengo mbalimbali vya biashara ndani ya Benki.

Matokeo haya yalichangiwa kwa kiasi kikubwa na ukuaji wa biashara, ubora wa mikopo iliyotolewa, mapato yaliyotokana na biashara ya fedha za kigeni na uendeshaji wenye tija kwa Benki. Nafurahi kuona juhudi zetu za kuwa na mkakati wa kibiashara endelevu zinaendelea kuzaa matunda.

Kwa ujumla, kutokana na jitihada zetu za kufanya mabadiliko tumeweza kufanikiwa kupata matokeo mazuri katika viashiria vyote muhimu ukilinganisha na mwaka uliopita. Pamoja na hali ya ushindani kuongezeka sokoni, bado tuliweza kukuza nafasi yetu katika soko na kukuza ubora wa mali zetu ikichangiwa na mazingira wezeshi katika sekta ya benki.

Matokeo yetu yalidhihirishwa na ukuaji wa faida kabla ya kodi ya shilingi bilioni 174.7 ambayo ni ongezeko la asilimia 76.3 kutoka shilingi bilioni 99.1 iliyoripotiwa mwaka 2018. Jumla ya mapato yote ilikua ni shilingi bilioni 747.7 sawa na ongezeko la asilimia 16.3 ukilinganisha na shilingi bilioni 642.7 iliyoripotiwa mwaka 2018. Kwa kiasi kikubwa mapato haya yalichangiwa na ukuaji mzuri wa mikopo na mchango mkubwa wa huduma zetu za kidijitali.



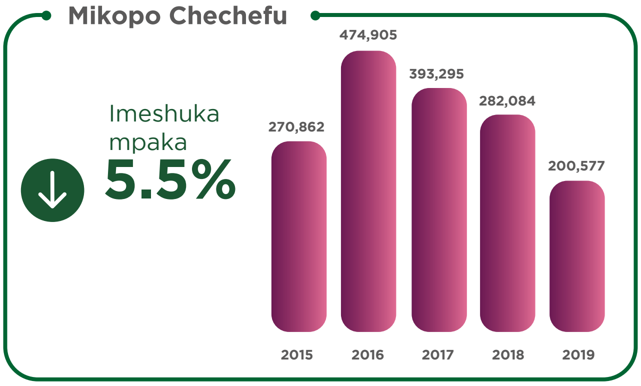
Gharama za uendeshaji katika kwa mwaka 2019 ziliripotiwa kuongezeka kwa asilimia 12.3 kufikia shilingi bilioni 481.5 wakati uwiano wa gharama na mapato ulikuwa asilimia 64.4, hii ilitokana na kukua kwa biashara na kuweka mkazo katika kuboresha uwezo wetu wa ndani ili kupata matokeo mazuri. Gharama za wafanyakazi ambazo zinachangia asilimia 54.1 ya jumla ya gharama za uendeshaji ziliongezeka kwa asilimia 23.8 na kufikia shilingi bilioni 260.5.

Kuongezeka huku kumechangiwa na utekelezaji wa mfumo mpya wa uendeshaji, gharama za kuachana na baadhi ya wafanyakazi kwenye menejimenti na kubadilika kwa kanuni za kihasibu kwenye baadhi ya gharama za wafanyakazi.

Kutokana na mafanikio chanya yaliyopatikana, sasa tupo katika mwelekeo mzuri wa kuweza kutoa thamani zaidi kwa wanahisa wetu kama inavyooneshwa na ukuaji wa mapato kwa hisa kufikia shilingi 46.0 kutoka shilingi 24.6 iliyoripotiwa mwaka wa fedha uliopita. Pia tulifanikiwa kupata mapato mazuri kutokana na mtaji wa asilimia 13.8 ukilinganisha na asilimia 8.3 iliyoripotiwa mwaka 2018.

Ubora wa Mali

Benki ya CRDB na kampuni zake tanzu ziliendelea kuwa na ubora wa hesabu za mizania ambapo jumla ya mali ilikuwa shilingi bilioni 6,597.2 Mali zinazozalisha mapato ikiwa ni asilimia 77.7 ya jumla ya mali zote. Mikopo yetu ilikua kwa asilimia 8.2 hadi kufikia shilingi bilioni 3,382 sambamba kukua kwa mikopo ya sekta binafsi. Tumeendelea kuweka jitihada kwa wateja wadogo ambapo sehemu ya wateja hawa iliongezeka kwa asilimia 15.1 na sehemu ya wateja wakubwa iliongezeka kwa asilimia 10.4.



Uwiano wa mikopo chechefu hadi kufikia tarehe 31 Disemba 2019 ulikuwa asilimia 5.5, ambayo ni maboresho kutoka asilimia 8.5 iliyoripotiwa mwaka 2018. Hii imetokana na mpango mkakati wa uboreshaji wa mikopo chechefu ambayo imelenga kuboresha taarifa zetu za vitabu vya mikopo kulingana na vigezo na kanuni zilizowekwa na mamlaka husika.

Ukwasi

Mwaka 2019, tuliweka jitihada zaidi katika kufatilia hali ya ukwasi ya Benki ya CRDB na kampuni zake tanzu ambapo uwiano wa hali ya ukwasi ulikua asilimia 25.8, juu ya kiwango cha chini kilichowekwa na mdhibiti cha asilimia 20.

Amana za wateja zilikua kwa asilimia 11 hadi shilingi bilioni 5,202.2 zikichangiwa na ukuaji mkubwa katika amana za akaunti za biashara na akaunti za akiba (CASA) ambazo zinachangia asilimia 79 ya amana zote. Uwiano wa mikopo na amana (LDR) ulibaki kuwa asilimia 65 ambao unatosha kuwezesha ukuaji wa biashara katika siku zijazo. Kuboreka kwa hali ya ukwasi kuliwezesha Benki ya CRDB na kampuni zake tanzu kulipa deni kubwa la jumla ya shilingi bilioni 55.2 kabla ya muda wake kufika na hivyo kupunguza gharama ya deni.

Mtaji

Benki imeendelea kuwa mtaji imara wa "Tier 1" na jumla ya viwango vya uwiano wa mtaji kwa asilimia 17.2 na 17.4 zaidi ya kiwango kilichoidhinishwa na mamlaka husika. Mwaka 2019, Benki kuu ya Tanzania iliendelea kupitia muundo wa mitaji na kufanya mabadiliko katika hesabu za mtaji ambapo iliondoa mali zisizo onekana katika hesabu ya Tier 1 na kuondoa hitaji la kutenga asilimia 1 ya jumla ya mikopo ambayo haijalipwa.

Mtazamo wa Siku za Usoni

Kwa waka 2020, tunabaki na matumaini juu ya mazingira thabiti yanoyounga mkono biashara za ndani. Sehemu mbili za jiografia yetu ya kufanya kazi (Tanzania na Burundi) zimepanga kufanya uchaguzi mkuu mwaka 2020, lakini hata hivyo tunaamini chaguzi zote zitakwenda vizuri. Tunazingatia pia maendeleo ya hivi karibuni ya uchumi wa dunia pamoja na janga la virusi vya Corona (Covid-19) ambalo inaweza kuwa na athari kubwa katika matokeo ya mwaka 2020. Tutaendelea kutumia faida ya uimara wa hesabu zetu za mizania, mtandao mpana na uwepo wetu katika ukanda wa Afrika Mashariki kupata matokeo mazuri. Tuna hakika muundo wetu wa biashara utaendelea kutoa matokeo mazuri na yenye tija kwa wanahisa. Tutaendelea kuzingatia uboreshaji na uwekezaji katika miundombinu yetu ya Teknolojia ya Habari na Mawasiliano "na upanuzi wa mtandao wetu wa kidijitali, tukilenga kujibu mahitaji ya wateja na kutoa huduma bora ili kuwapa wateja wetu uzoefu wa huduma wenye utofauti wakati wote katika vituo vyetu vya kutolea huduma.

Frederick B. Nshekanabo
Afisa Mkuu wa Fedha

Sijawahi kujutia uamuzi wangu wa kununua hisa za Benki ya CRDB

Nilianza kuwa mwanahisa wa Benki ya CRDB miaka ya 90, wakati huo lilikuwa shirika la kijamii. Nilifanya uamuzi huo kwa sababu CRDB ililenga kutoa mikopo kwa wakulima. Ilipobadilishwa kuwa benki ya biashara nilitaka kuendelea kubaki nayo kwa sababu niliamini kuwa ilikua na muelekeo mzuri wa siku za usoni. Mwaka 2009, tulipoorodheshwa kwenye Soko la Hisa la Dar es salaam (DSE), uwekezaji wangu ulichukua mwelekeo mpya. Hisa zangu zilipata thamani sana kwa zaidi ya Shilingi Milioni 50.

Miaka 24 baadaye Benki yetu imekua na kuwa taasisi kubwa nchini na leo ni benki inayoaminika zaidi nchini. Imekuwa ni safari yenye mafanikio sana.

Uwekezaji katika hisa umenipatia faida nzuri na kuniwezesha kuwekeza kwenye kilimo. Kati ya mapato haya, nimeweza kununua trekta na kuchimba kisima katika shamba langu la Oldonyosambu. Kisima hiki kinahudumia jamii nzima huko Oldonyosambu bila malipo na hutoa maji ya kutosha kwa ufugaji na kilimo cha mazao kwa jamii ikiwa ni pamoja na kumwagilia shamba langu la kahawa.

Ninajivunia kuwa sehemu ya Benki ya CRDB kwa sababu imebadilisha maisha yangu na kunipa heshima kubwa katika jamii yangu.

Emburis Ole Sirikwa,
Mkulima, Oldonyosambu - Arumeru

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