CRDB BANK

The bank that listens

ANNUAL REPORT 2021

SUSTAINABLE VALUE FOR GROWTH

OUR PURPOSE

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

ABOUT OUR COVER

Our cover has illustrated two pairs of hands stacked together and holding healthy seedling, in a caring and nurturing way. This is how we see ourselves at CRDB Bank. We love to nurture and grow our clients, because we want them to prosper.

For the last 25 years, we have nurtured individuals, enterprises and institutions to the heights of their success. The hands in our image speaks to our dexterity and personalized approach to supporting our clients. Hands also are the greatest human tool for industry. This concept therefore illustrates the work of our hands in transforming the lives of our customers.

FORWARD-LOOKING STATEMENTS

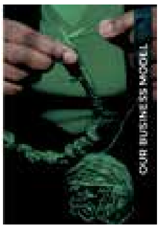
This report contains certain forward-looking statements about CRDB Bank Group's financial position, results, operations and businesses. These statements and forecasts involve risk and uncertainty, as they relate to events and depend on circumstances that occur in the future.

There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Consequently, all forward-looking statements have not been reviewed or reported on by the group's auditors.

scan this code above
for more information

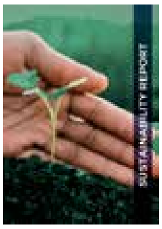
COMPANY OVERVIEW

This section provides a detailed overview of our operations as a Group. Under this chapter, you will get to know our activities, our strategy, and how we are organized to serve you.



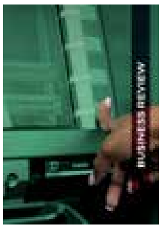
OUR BUSINESS MODEL

This section provides a detailed review of our medium-term strategy alongside the value unlocks. It details our achievements in 2021 in the context of our ambitions.



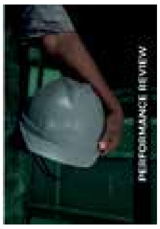
SUSTAINABILITY REPORT

Our Group is committed to playing an active role in facilitating the achievement of the United Nations Sustainable Development Goals (SDGs). Under this section, you will find details of how we are implementing strategies towards sustainability.



BUSINESS REVIEW

Here, you will learn more about our operations in the 2021 financial year. The section provides a detailed account of our activities and how we navigated the operating environment to deliver the results presented in this report.



PERFORMANCE REVIEW

Building on the context of the year provided by the Group's top leadership, this section provides a blow-by-blow account of the various strategic initiatives implemented during the year. The section also details the various activities undertaken by the Group's directorates in line with the strategy.

OUR SUBSIDIARIES

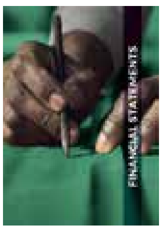
To learn more about our subsidiary operations, navigate to this page, and you will find a holistic account of our associated businesses and operations in other geographies, mainly Burundi. It also contains a brief commentary from our newly appointed Managing Director for the Burundi subsidiary.

RISK MANAGEMENT

As part of our compliance requirements, we have detailed the risk management updates and strategies under this section. You can learn more about our proactive approaches to risk and the long-term vision in risk management here.

CORPORATE GOVERNANCE

This section provides details of how our Company is governed. To learn more about our Board of Directors and how they conduct their duties to ensure successful delivery of our strategy. The section also contains their abridged profiles indicating their expertise and experience.



FINANCIAL STATEMENTS

The initiatives undertaken during the year have bore fruits. This section provides a detailed account of the Group's financial performance during the year and the responsibilities of those charged with running the organization.

Pursuing Excellence in Financial Reporting

CRDB Bank Plc is the country's largest financial services provider and an industry leader in Tanzania. For 25 years, our Group has strived to be a market leader in the way we serve and engage with our stakeholders. Our priority is to ensure our stakeholders understand our strategy, activities and the results that we produce.

To help us achieve this, we embarked on a journey towards Integrated Reporting. Whereas the journey is exciting, we reckon that it takes time. If you have been reading our reports, especially from the 2019 financial year, you will notice that we have become more forthcoming and transparent in our disclosures, including the Group's strategy.

So far, the journey has been rewarding and, as such, our reports have been recognised both locally and regionally by reputable institutions, including the National Board of Accountants and Auditors of Tanzania (NBAA), the Kenya Institute of Certified Public Accountants (ICPAK) for our excellence in financial reporting.

We have a dream to transition fully into the integrated reporting framework in the coming years. We are currently building capacity internally and aligning our strategies to the core purpose of the bank's medium-term and long-term strategy.

I sincerely hope you will travel with us along this exciting journey and learn more about our Group's value creation approach.

Fortunata Skauki
Head of Financial Reporting

2019 2020 **2021**

You can visit our website to have a look at our previous issues since we embarked on this journey

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+255 789 197 700
Email: info@crdbbank.co.tz,
Website: www.crdbbank.co.tz

CRDB INSURANCE BROKER LIMITED
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Fax: +255 222 923 006
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'As a Group, we believe that in the new reality of the post-COVID world, environmental, social and governance will increasingly become central to the economic equation.'

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We aspire to grow and deliver value for all our stakeholders. For us, value is best-illustrated in the quality of lives of our shareholders, our people and the community around us. In driving value for our stakeholders, we anchor our actions on a firm foundation defined by strong values. We also have a robust portfolio supported by a resilient balance sheet and unmatched talent. We invest in people, technology and processes to deliver value responsibly and sustainably.

We are passionate about providing efficient and responsive services that empower people for economic growth; deliver value for all our stakeholders and transform lives through sustainable social investment initiatives.

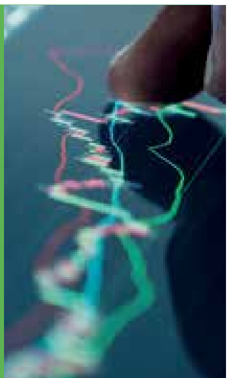
ABOUT THIS REPORT

REPORTING SCOPE AND BOUNDARY

CRDB Bank Group Annual Report and Financial Statements have been prepared for the period beginning 1st January 2021 to 31st December 2021. This report extends beyond financial reporting and includes non-financial performance, our approach to risk management, an overview of our material risks and a summary of our governance and remuneration practices. It covers the Group's business activities during the financial year and provides a glimpse into the business prospects. CRDB Bank Group (the "Group") comprises CRDB Bank Plc (the "Bank") and its subsidiaries CRDB Bank Burundi S.A and CRDB Insurance Broker Limited.

MATERIALITY

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



REPORTING FRAMEWORK

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

The Group's Annual Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the Tanzania Financial Reporting Standards 1 (TFRS1). To foster clarity and transparency around our value creation process, some elements of the International Integrated Reporting <IR> Framework were adopted in the preparation of this report. We intend to continuously evolve future reports to achieve full adherence to the <IR> Framework.

COMBINED QUALITY ASSURANCE

A combined review by management and internal audit was performed to ensure the accuracy of our reporting content, with the Board and its subcommittees providing an oversight role. This report is not audited but contains certain information that has been extracted from the audited consolidated annual financial statements. The Group's consolidated annual financial statements were audited by Ernst & Young.

ABBREVIATIONS

AfDB	African Development Bank
AGM	Annual General Meeting
ALCO	Asset Liability Management Committee
AMCOs	Agricultural Marketing Cooperative Society
AML	Anti-Money Laundering
API	Applications Programming Interface
ARA	Agriculture Resilient Adaptation
ATCL	Air Tanzania Company limited
ATM	Automated Teller Machine
BCA	Baseline Credit Assessment
BIF	Burundian Franc
BOT	Bank of Tanzania
CAR	Capital Adequacy Ratio
CBA	Collective Bargaining Agreement
CBS	Core Banking System (CBS)
CCO	Chief Commercial Officer
CDD	Customer Due Diligence
CEO	Chief Executive Officer
CIMF	Control Issues Management Framework
CIR	Cost-to-income ratio
CIT	Cash in Transit
CMSA	Capital Markets and Securities Authority
CNCS	Computer Numerical Control Systems
COP	Conference of Parties
CS&BCMs	Corporate Security and Business Continuity Management
CSI	Corporate Social Investments
CX	Customer Experience
DAE	Direct Access Entity
DANIDA	Danish International Development Agency
DFI	Development Finance Institutions
DIF	DANIDA Investment Fund
DLT	Distributed ledger technology
DNA	Deoxyribonucleic Acid
DRC	Democratic Republic of Congo
EAC	East African Community
ECL	Expected Credit Loss
EOL	End-of-Life (EOL)
EOSL	End-Of-Service/Support
EPS	Earnings Per Share
ERMF	Enterprise Risk Management Framework
ERMS	Enterprise Risk Management System
ESG	Environmental, Social, and Governance
ESIA	Environmental and social impact assessment
ESMS	Environmental and Social Management Systems
EUR	The euro
EWS	Early Warning System
EWSM	Early Warning Signs Model
EX	Employee Experience
EXCO	Executive Committee
EXM	Employee Experience Management
FDI	Foreign Direct Investment
FYDP	Five-Year Development Plan
GBP	The pound sterling
GCF	Green Climate Fund
GDP	Gross Domestic Product
GM	General Manager
HPO	High-Performance Organisation
HR	Human Resource
ICT	Information and Communications Technology
IFC	International Finance Corporation
IFM	Institute of Finance Management
IMF	International Monetary Fund
KCBL	Kilimanjaro Cooperative Bank Limited
KPI	Key Performance Indicator
KRI	Key Risk Indicator
KRIs	Key Risk Indicators
KYC	Know Your Customer
LC	Letter of Credit
LDR	Loan to Deposit Ratio
MANCOM	Management Committee
MARC	Management Audit & Risk Committee
MBA	Masters of Business Administration
MCC	Management Credit Committee
MEMARTS	Memorandum and Articles Association
MNO	Mobile Network Operators
MOU	Memorandum of Understanding.
MSE	Micro and Small Enterprise
MUSE	Mfumo wa Ulipaji Serikalini
NCAA	Ngorongoro Conservation Authority
NHIF	National Health Insurance Fund
NIDA	National Identification Authority
NPC	Non-Presence-Country
NPL	Non-Performing Loan
NPS	Net Promoter Score
NSSF	National Social Security Fund
OMC	Oil Marketing Company
OSHA	Occupational Health and Safety Administration
PAR	Portfolio at Risk
PAT	Profit After Tax
PBPA	Petroleum Bulk Procurement Agency
POS	Point of Sale
PSSSF	Public Service Social Security Fund
RCSA	Risk Control Self-Assessment
RCSAs	Risk and Control Self Assessments
RMC	Risk Management Committee
RMC	Risk Management Committee
ROE	Return on Equity
RWA	Risk-Weighted Assets
SACCOs	Savings and Credit Co-Operative Societies
SBS	Strathmore Business School
SDG	Sustainable Development Goal
SFU	Sustainable Finance Unit
SME	Small and Medium Enterprise
TACTDP	Tanzania Agriculture Climate Adaptation &Technology Deployment Program
TANAPA	Tanzania National Parks Authority
TANESCO	Tanzania Electricity Supply Company
TCB	Tandahimba Community Bank Plc
TISS	Tanzania Inter-Bank Settlement System
TPC	Tanzania Postal Corporation
TPDC	Tanzania Petroleum Development Corporation
TTB	Tanzania Tourist Board
TUICO	Tanzania Union of Industrial and Commercial Workers
TZS	Tanzania Shillings
UAE	United Arab Emirates
UDSM	University of Dar es Salaam
UK	United Kingdom
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar
USSD	Unstructured Supplementary Service Data
VEO	Village Executive Officer
WEO	Ward Executive Officer
YoY	Year-on-year
ZPC	Zanzibar Ports Corporation

A SNAPSHOT OF OUR PERFROMANCE

The past year has largely been a year of recovery, coming from the ravages of the global health crisis. For Tanzania, the swift response by the Central Bank to mitigate the impact of the pandemic helped ease the pressure on the private sector. The measures safeguarded the industry against likely defaults by borrowers whose repayment capability had been impaired by the disruptions in global supply chains.

OUR KEY FINANCIALS

PROFIT AFTER TAX (PAT)

TZS 268.2 BILLION

Represents 62.3% growth from TZS 165.2 billion reported in 2020

TOTAL ASSETS

TZS 8.8 TRILLION

Represents 23.0 % growth from TZS 7.2 trillion in 2020

CUSTOMER LOANS

TZS 5.0 TRILLION

Represents 28.3% growth from TZS 3.9 trillion in 2020

CUSTOMER DEPOSITS

TZS 6.5 TRILLION

Represents 19.4% growth from TZS 5.4 trillion reported in 2020

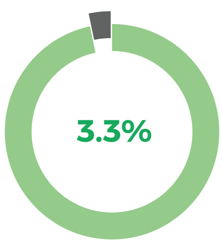
COST - TO - INCOME RATIO

55.3%

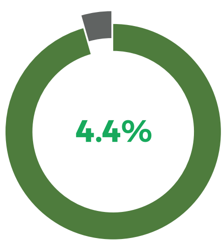
A significant improvement from 61.6% reported in 2020

Our priority, coming from a challenging period, was to ensure recovery in areas that we were lagging behind and optimize delivery in our areas of strength, while capitalising on the present challenges to innovate.

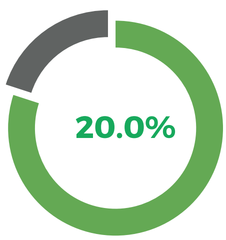
SOUNDNESS



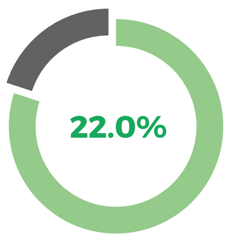
Non-performing loans (NPL)



Return on Assets (ROA)



Capital Adequacy Ratio (CAR)



Return on Equity (ROE)

Our Group's soundness remains a material issue among our stakeholders and therefore forms a critical part of our strategy. We have a special focus sustaining growth in the key ratios as a medium-term priority.

COMPANY OVERVIEW

ABOUT OUR GROUP

We are an integrated financial services provider listed at the Dar es Salaam Stock Exchange (DSE). We operate two subsidiaries, CRDB Bank Burundi (S.A) and CRDB Insurance Broker Limited. We are the largest bank in Tanzania with asset base of TZS 8.8 trillion. We have a robust branch network comprising 254 branches inclusive of 20 mobile units and 19,165 banking agents. We offer a comprehensive range of financial services to individuals, Small and Medium-sized Enterprises (SMEs) and corporations.

OUR VISION

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

OUR STRENGTH

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

OUR PURPOSE

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

OUR ASPIRATION

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

OUR MISSION

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

OUR VALUES

EFFICIENT
(Create VALUE)

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)

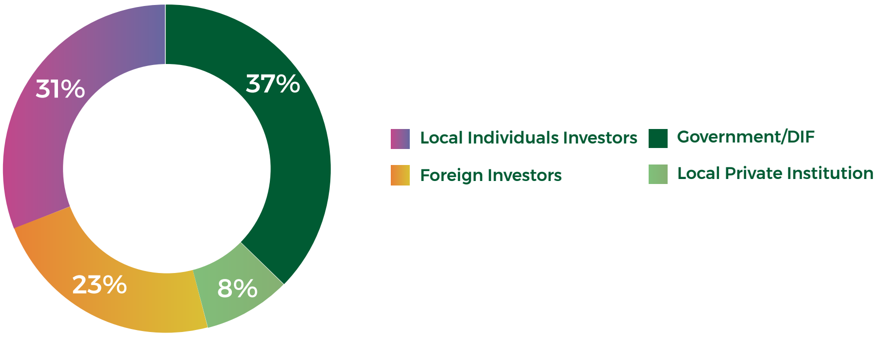
OUR MANTRA

Provide efficient and responsive services that empower people for economic growth; deliver value for all our stakeholders and transform lives through sustainable social investment initiatives.

SHAREHOLDERS & INVESTORS

CRDB Bank Group is a home-grown Tanzanian brand with a majority stake owned by individual Tanzanians, local institutions, and nearly a third owned by foreign investors. The Group was listed on the Dar es Salaam Stock Exchange (DSE) in June 2009.

The Group's shareholding structure comprises 70% local and 30% foreign ownership. Our foreign stockholders include: Danish International Development Agency's Investment Fund (DIF), NSSF Uganda and Kimberlite Frontier.



HOW WE ARE GOVERNED

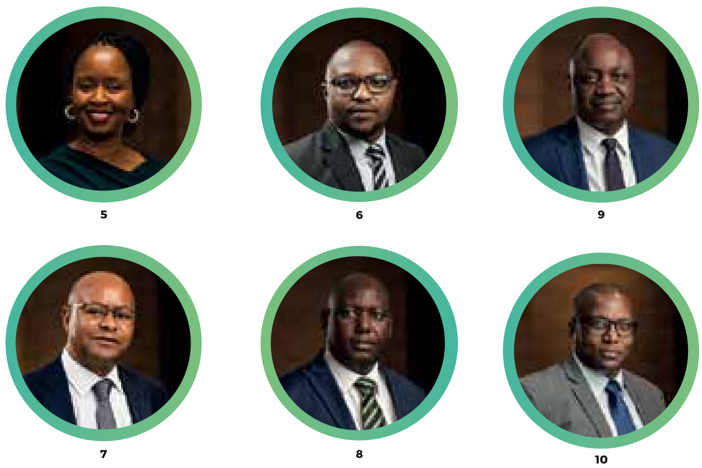
As a market leader, we tirelessly work to safeguard the interests of our stakeholders and strive to engage in a responsible manner. We believe that effective governance is critical for the proper functioning of our Group and the economy as a whole.

We have established a robust administration system that adheres to good corporate governance practices in carrying out the affairs of the Bank. This includes processes on how we develop and implement the bank's strategy and objectives, how we select and oversee personnel and how we manage our day-to-day operations.

We ensure that our depositors' interests are well-protected and strive to meet our diverse shareholder obligations, while considering interests of other recognized stakeholders.

Our corporate activities and behavior are all aligned to ensure that we operate in an ethically sound manner, defined by integrity and compliance with applicable laws and regulations.

OUR LEADERSHIP



Executive Leadership

Management Team

1. Abdulmajid Nsekela
Group CEO & Managing Director
MBA-IBF, Birmingham University (UK)
PGD-Business Administration,
Birmingham University, UK

2. Dr. Joseph Witts
Chief Commercial Officer (CCO)
Phd Walden University, USA
MA, Entrepreneurship & Enterprise Development-UDSM. CPA (T), Adv Dip in Certified Accountancy -IDM Mzumbe

3. Bruce Mwile
Chief Operations Officer (COO)
MBA (Finance), B.com (Finance), (UDSM)

4. Frederick Nshekanabo
Chief Finance Officer (CFO)
Msc. Finance - University of Strathclyde (UK), CPA (T), Advanced Dip Accountancy (IFM)

5. Tully Esther Mwambapa
Director of Corporate Affairs & Public Relations
MBA, BA Public Administration & International Relations, (UDSM)

6. Leo Patrick Ndimbo
Director of Business Transformation
PGD- BA (CBE), Int'l Adv. Dip in Computer Engineering (IADCE) - New Horizon University.

7. Alexander Ngusaru
Director of Treasury & Capital Markets
MBA, UDSM Strategic Leadership Training (DBS, University of Virginia).

8. Boma O. Raballa
Director of Retail Banking
MBA, Mzumbe University, BA (Accounting) Kampala International University, UG.

9. Pendason N. Philemon
Director of Procurement
MBA-ESAMI, CSP (T), CIPP-Zhuhai CHINA

10. James Mabula
Director, Risk & Compliance
Msc. Finance (University of Strathclyde, UK), PG Dip. Financial Management (IFM) certified company Director – IoD UK and Advanced Diploma in Certified Acc (IDM Mzumbe)

EXPERTISE

16	Risk Management
9	Business Management
5	Banking Operations
3	Finance & Audit
3	Strategy & Innovation
3	Digital Transformation
5	HR, Markerting and Strategy
3	Retail Banking
3	Risk Management

EXPERIENCE


Above 30 years


25 -30 years


15 -20 years


20 -25 years

CRDB Group believes in its people. We've been privileged to play leading a role in helping millions of people in East Africa to meet their financial needs. As the financial industry evolves and the needs of our customers grow, so do we. More importantly, we've helped shape and define what financial services mean in everyday lives and supported millions of dreams. Our products, services, ideas and giving now touch the lives of millions of people every day. We credit our strength and endurance to a consistent approach to managing our business, and to the character of our people. Our forward-looking leadership team is made up of dedicated, focused and experienced executives. Working with each other and with our employees across our markets, their knowledge and experience combine to make a difference for all our stakeholders – customers, partners, regulators, employees, investors and communities around East Africa.

11 12 15 16 19

13 14 17 18 20

11. Xavery Makwi
Director of Credit
CPA from NBAA, PGD (Legal Practice), LST, LLB, Open University of Tanzania, MBA, B.com (Finance) UDSM.

12. Jessica Nyachiro
Managing Director CRDB DRC Subsidiary
MA international business (IFM)
B.Ed, University of Nairobi (KE)

17. Deusdedit Massuka
Director of ICT
MSc. Computer Numerical Control (CNC) Systems - St-Petersburg STU, Russia

18. Godfrey Sigalla
Director of Internal Audit
CPA (T) PGD (Tax management), B, Com (Accounting, UDSM, & MBA (Finance, UDSM

13. Leslie Mwaikambo
Director of Business Operations
B.Com (Finance) – UDSM Higher Dip. Banking (Milpark Business School, SA)

14. Frederick Siwale
Managing Director CRDB Burundi Subsidiary
MBA (UDSM) PGD in Business Administration – CBE

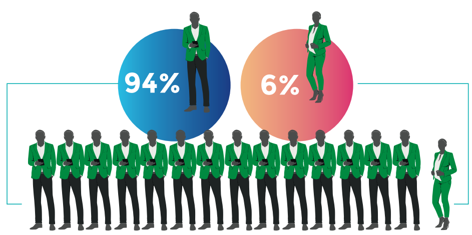
19. Mr. Prosper Nambaya
Director of Corporate Banking
MSc, Business Management (Birmingham City University), BA, Economics (UDSM); Adv. Certificate in Credit Skills, London Institute of Banking and Finance (LIBF)

20. Willson Mzava
General Manager CRDB Insurance Broker Limited
MSc in Insurance & Actuarial Science – IFM
Post Graduate Diploma in Cooperative – SUA

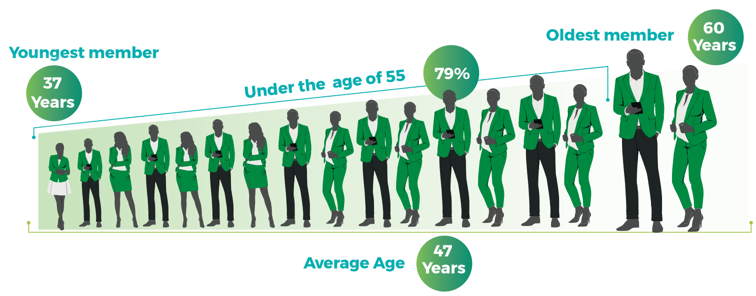
15. John Baptiste Rugambo
Company Secretary
MA – International Business Administration (USIU, KE), BA – USIU

16. Siaophoro L. Kishimbo
Director of Human Resources
MBA (Finance), Open University, BA Accounting & Finance (Mzumbe University) Tanzania

GENDER DIVERSITY



AGE DIVERSITY



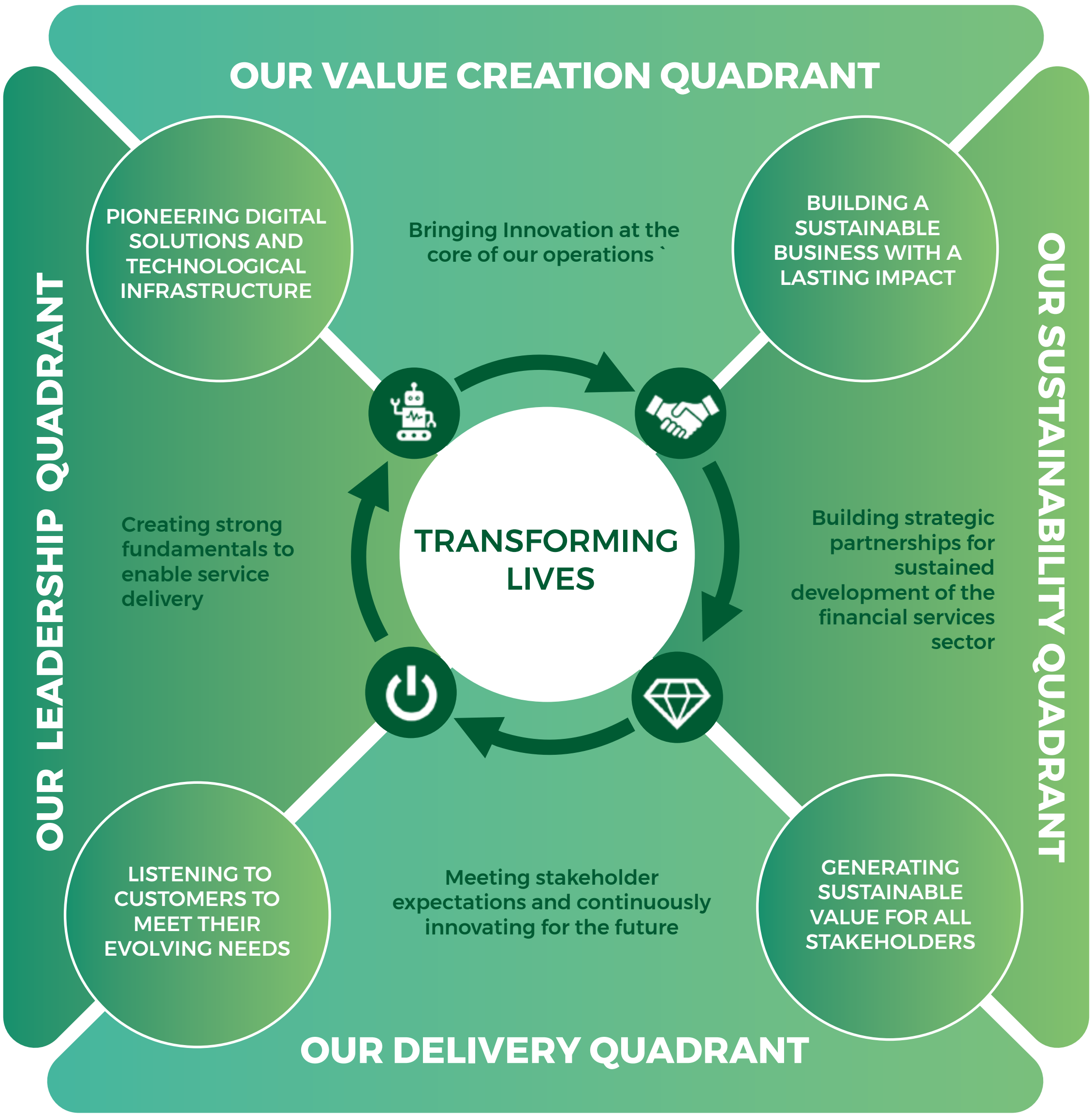
THE EVOLUTION OF OUR GROWTH

CRDB Bank's growth is heavily influenced by the directional selection that we made as a Group, growing from our formative years as a cooperative rural development bank. The productive and sustainability advantages associated with the size of our operations favour slower but steady growth, owing to the many factors within our markets of operation. For us, realized growth rate is thus a result of a compromise between the costs and advantages of growing rapidly.

Achieving our Purpose

In the greater scheme of things, our endeavours are designed to meet the needs of our customers, from an individual, communal and societal levels; consistent with our guiding purpose of transforming lives. We operate in cyclic evolution acrhitecture that guides our business along four distinctive delivery tangets: Delivery, leaderhsip, value creation and sustainability.

OUR EVOLUTION CYCLE



AREAS OF STRENGTH AND DIFFERENTIATION

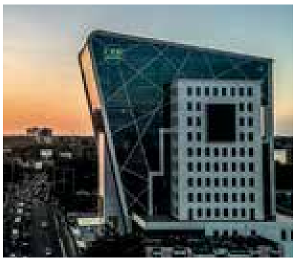
We aspire to grow and deliver value for all our stakeholders. For us, value is best-illustrated in the quality of lives of our shareholders, our people and the community around us. In driving value for our stakeholders, we anchor our actions on a firm foundation defined by strong values. We also have a robust portfolio supported by a resilient balance sheet and unmatched talent. We invest in people, technology and processes to deliver value responsibly and sustainably.

DIVERSITY

At CRDB Bank, we believe that by employing people with different cultural experiences and perspectives, we can eliminate blind spots while developing solutions to customer problems. We reckon that by enhancing our understanding of how our services are received, we gain a competitive edge in responding to the needs in the market. For us, diversity is a source of our strength because it fosters innovation and problem-solving by pushing everyone to look at things from different perspectives.

DISTRIBUTION

With 254 branches and 19,165 banking agents, CRDB Bank is one of the region's most present banks. We have a simple yet powerful conviction that for us to serve our customers better, we must bring services closer to them. Leveraging innovation and strategic investments, we will continue to expand our delivery channels to deepen access to financial services. We have a robust plan to drive financial inclusion to serve the under-served communities and include the lower segment of the market into the financial ecosystem.



CAPITALISATION

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

BRAND

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

INNOVATION

We take innovation as an ingredient of our thinking. For the last 25 years, we have set the pace for the industry pioneering many firsts. We are focused on building a business that responds not only to the changing needs of our customers but also creates a lasting impact. Our sustainability strategy speaks to our desire to spearhead innovation in the financial services sector.

How we are organised to serve - our products and services

We provide a wide range of products and solutions to suit the needs of different segments in the market through four main clusters: - Retail, Corporate & institutional, Treasury and Bancassurance. All our solutions are designed to empower our customers to meet their unique financial needs and position them for future success

Service cluster	Corporate & Institutional Banking	Retail Banking
What we offer	We offer a full range of wholesale banking solutions, including investment banking and corporate lending, global markets and treasury, commercial-property finance, deposit-taking, and transactional banking.	We have a wide range of services comprising transactional banking, card and payment solutions, lending solutions, deposit-taking services, card-acquiring services for businesses, agency and tech-based banking solutions
Key Solutions	Savings and Investment, Payment Services, Financing Solutions	International Trade Finance, Advisory Services, Transactional Banking, Financing Solutions and Investment related services
Who we serve	Corporates, institutions and parastatals with an annual turnover of over TZS 20 billion.	Individuals, MSEs SMEs, AMCOs, investment groups, SACCOs with an annual turnover of < TZS 20 billion
KPIs	Customer growth &retention, Deposits, Portfolio growth, Income and Portfolio Quality	Customer growth & retention, Deposits, Portfolio growth, Income , Portfolio Quality, Channel perfromacne, Digital adoption Accesibility and penetration

How we performed

Corporate & Institutional Banking

TZS 2.6 Trillion

[TZS 2.2 trillion in 2020]

121% Growth in DEPOSITS

Net Income	TZS 112.5 billion
40 New Customers	456 new loans advanced
NPL Ratio	4.4%
Portfolio	140 % growth to TZS 2.1 trillion
	[TZS 1.5 trillion in 2020]

Retail Banking

TZS 3.87 Trillion

[TZS 3.1 trillion in 2020]

19.4% Growth in DEPOSITS

- 36% growth in MSE loans to TZS 103.0 billion
- 17% growth in SME loans to TZS 563 billion

New Customers	259,000 (57% growth)
NPL Ratio	2.7%
Portfolio	17.12% YoY growth to TZS 3.01 trillion
	[TZS 2.6 trillion in 2020]

Our competitive advantage

Corporate & Institutional Banking

- A team of seasoned professionals providing professional counsel on financial management & investments.
- Strong goodwill within the corporate and public sectors.
- Innovative products and financial solutions designed to respond to market challenges .

Retail Banking

- Robust distribution comprising a wide branch network of 254 branches, 19,165 agents and 558 ATMs, complemented by versatile digital channels.
- Innovative products that have been tried and tested in the market.

2021 was the year of transition for CRDB Insurance Broker (CIB), following the change in regulations, requiring banks to offer bancassurance services. Against the backdrop of the changes associated with the transition, CIB achieved significant milestones with the most significant being the seamless transition done on schedule.

Treasury & Capital Markets

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, Interest Rate Services, Financial Services and Capital Markets Services

High-net-worth individuals, and other retail, business and corporate clients.

Balancesheet health, Trade Income /forex, Capital Management, investments

TZS 253.7 Billion

[TZS 237.8 Billion in 2020]

6.7% Growth in trade income

During the year the priority was to ensure capital optimization and efficient liquidity management to enable the Group meet its funding needs.

- Experienced team capabale of providing market – level advisory services and investment insights.
- Fairly acceptable credit rating B2 (stable Outlook), and a positive long-term deposit rating

CRDB Insurance Broker

We provide a one-stop-shop for all Financial Needs. Our Insurance Broker distribution model allows our customers to get an amalgamation of other financial services under one roof in through our diverse channels.

Asset Protection, Health Cover, Financial Protection and Claims handling

Individuals, corporations, associations, NGOs, as well as governmental organisations.

Number of premiums, Income

TZS 859.0 Million

[TZS 3.6 Billion in 2020]

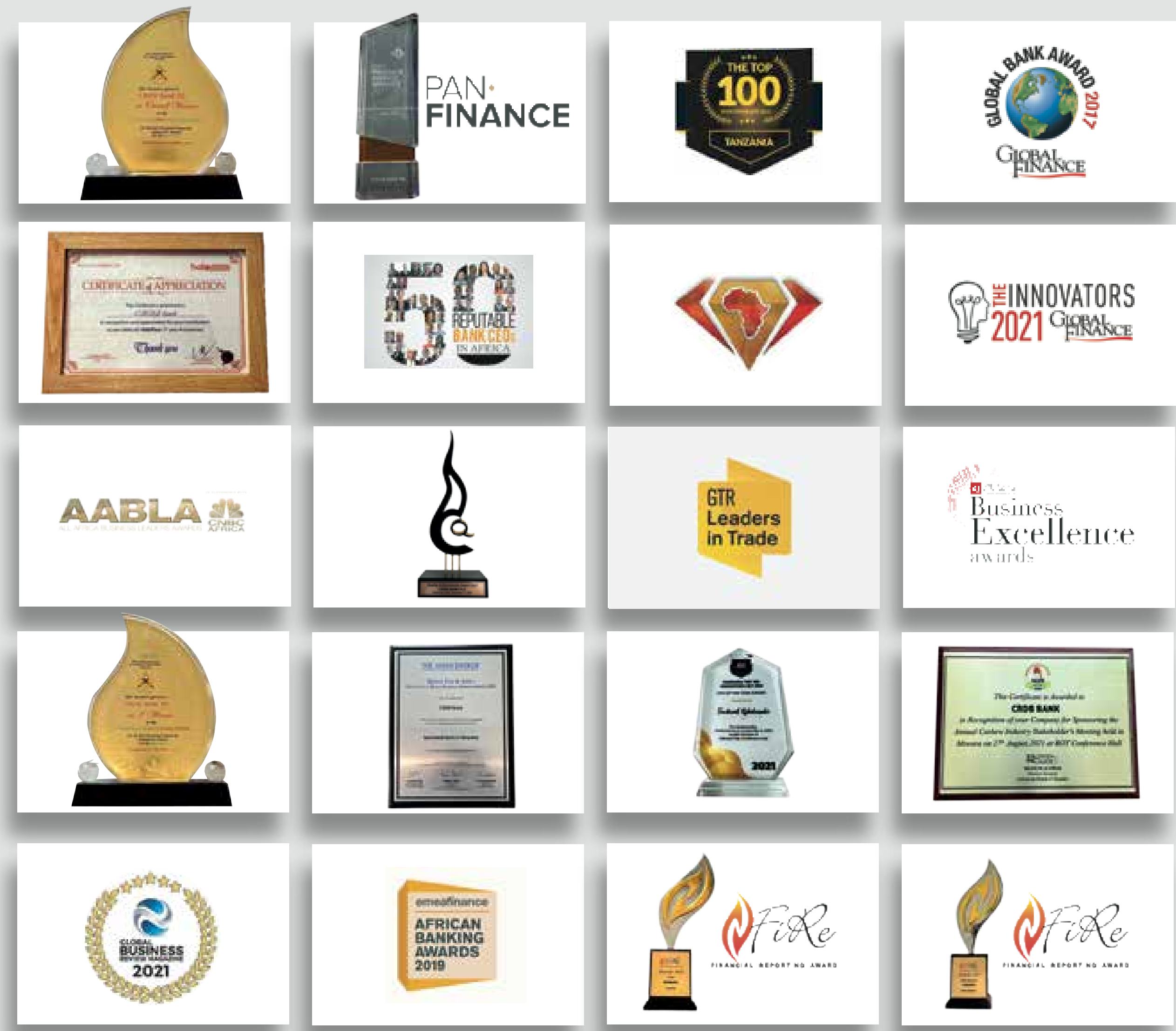
76.3% decline in PAT

2021 was the year of transition for CRDB Insurance Broker (CIB), following the change in regulations, requiring banks to offer bancassurance services.

- One of the largest insurance brokers in Tanzania with a combined asset base of TZS 7.1 billion.
- Strong proposition in insurance products comprising Life and non-life insurance to individuals, small and medium-sized enterprises (SMEs) and Corporations.

2021 Awards & Recognitions

Our efforts in championing innovation in the banking sector, alongside our commitment to provide responsive banking services have been recognized by various organizations, professional bodies, public entities, governing bodies as well as the private sector. Over the past two decades, we have received numerous awards and recognitions, elevating the bank brand as a market leader in the financial services sector in the region



Setting the Stage for Successful Business Transformation

CRDB Bank has the ambition to become the financial system ecoshaper in the region, and in our quest to achieve this goal, we have anchored our efforts on a business transformation agenda as an essential tool. The agenda is designed to enable us to dominate in the markets we operate in as we continue to deliver intrinsic and extrinsic value to our stakeholders.

we began our transformation journey by creating foundations to empower the Group to change its trajectory and accelerate the growth required while preventing us from sliding back. In addition, we re-designed and configured our operating model to help us navigate different times and take advantage of changing market dynamics. While organizations swung nearly overnight in the wake of COVID-19, we remained resilient due to the adaptive business models and technological capabilities that we created to harmonize how we operate and interact with our customers.

Over the next decade, we will see more changes in the banking industry than we have witnessed in the past 100 years. This is not solely due to advancing technologies but a continuance of inter-related structural factors such as demographic, socio-economic, regulatory, and environmental changes.

These changes are likely to result in people living longer, changing jobs more frequently, participating increasingly in the shared economy, being healthier, having better access to services to support their mental and physical wellbeing, being more conscious of the environment, and being wealthier than their present-day counterparts. All these factors combined will fundamentally transform how we work, how we live, how we play, and how we engage with our finances.

Success will require leading banks to consider changes to each of these aspects in their business, not in isolation, but rather how they combine to redefine the Bank-Customer relationship, especially when data will become broadly available as an everyday object, and it will influence new business models.

Pressure to transform will increase further because governments and regulators will find new ways to identify and manage risks. Technology as both enabler and driver for change will influence how we do business. Everything and everyone will be connected; every engagement point of our lives will become a service. Artificial Intelligence will power mass personalization; highly automated systems will instil trust with the consumer; products and services will be consolidated into one platform – like a 'super-app'; paying for products and services will become an automated process, digital currencies will go from emerging market to mainstream, and lastly, AI will power cyber security to protect data.

CRDB's business transformation model, which is R&D enabled, is designed to develop coherent and methodical ways to create solutions that integrate banking into the customer lifestyle as customers expect us to know them. Therefore, our propositions will deliver next-level hyper-relevance and understanding. Furthermore, our delivery model is structured to be intuitive and, where relevant, be in the background to minimize the time and effort required to do things.

Our communication and interaction approach will be empathetic with services and experiences that contextually align with the customers' life stages, needs, and circumstances. Our most important aspect is to be proactive and forward-thinking in anticipating what customers want before asking for it. We will pioneer trust and security and demonstrate integrity by providing data security protection and cyber security to customers. We will enhance our service experience by practising proactive accountability and tackling issues even before they bring impact.

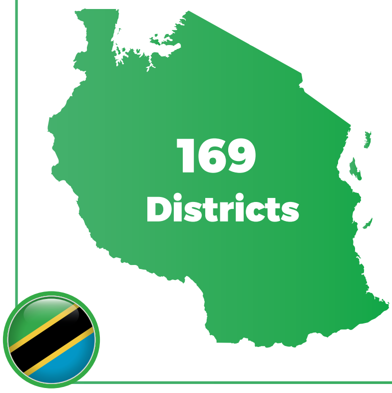
To achieve this, we have initiated several integrated programs that aim to align our strategic ambitions, technological capabilities, operating model, and culture to accelerate breakthrough performance and strengthen foundations that will enable the Group to utilize our internal talent to bring the required solutions. In addition, we have developed a robust partnership model to increase the ability and capability to serve the markets

Winifrieda Wanyancha
Head of Business Transformation

OUR OPERATING ENVIRONMENT

Despite the defining events of 2021, the operating environment remained stable throughout the year, save for residual shocks from the COVID-19 pandemic, affecting the service sector. Largely there was gradual recovery across almost all sectors, fuelled by a resurgence of economic activities and growing positive sentiments created by the global vaccination efforts. Conclusively, 2021 was the year of recovery, with businesses adjusting their approaches and models to adapt to the changes caused by the health crisis. The Banking sector's performance was satisfactory, remaining resilient and recording a good performance.

Macro and microeconomic overview



TANZANIA

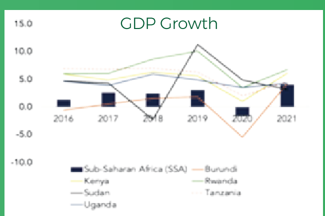
Countrywide presence

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

We are focused on driving accessibility of services through our alternative channels. During the year, we continued to strengthen our agency banking network to deepen access across Tanzania.

Tanzania sustained a relatively high economic growth, bolstered by improved private consumption and recovered exports as global restrictions eased, especially in the second half.

Gross Domestic Product (GDP) grew by 5.5%, supported by a sustained investment in infrastructure spending and stable



Source: Bank of Tanzania

energy supply mainly from natural gas. The latter will boost the performance of other sectors, including manufacturing and trade, the revival of the central railway line in standard gauge, increase in the capacity and efficiency of the Dar es Salaam and Tanga ports, increase in financial deepening, implementation of economic policies under the Five-Year Development Plan II (FYDP II) and scaling-up of onshore gas production and construction of oil pipeline from Uganda to Tanzania.

The infrastructure projects bode well for employment levels, which bolstered private spending. Exports benefited from healthier trade dynamics. On the other hand, the weakened fiscal metrics and lingering uncertainty over the evolution of the pandemic continued to pose downside risks. GDP is forecasted to grow by 5.7% in 2022.

The annual headline inflation rate end of December 2021 increased to 4.1% from the 3.2% reported same period in 2020. The increase was attributed to a price increase for some non-food items. Money supply(M3) grew at an annual rate of 14.7% in December 2021 compared to 5.6% in the corresponding period in 2020. Credit extended to the private sector grew at an annual rate of 7.8% in December 2021 compared with 3.0% in the corresponding period in 2020.

Interest rates charged on loans by banks recorded a mixed outturn in the year ending December 2021. In particular, the overall lending rate averaged 16.5%, slightly below 16.7% in the year ending December 2020. The one-year lending rate averaged 16.7%, up from 15.8% in the corresponding period of 2020. Negotiated lending rates for prime customers remained broadly unchanged at around 14%.

Regulatory environment

The banking industry remained sound, stable and resilient with adequate capital to support economic activities. In line with its broad mandate, the BOT continued to strengthen risk management practices in the banks to regularize their costs and operate within a cost-to-income ratio of not more than 55%. Furthermore, the regulator prohibited banks with either a cost-to-income ratio of above 55% or an NPL ratio of above 5% from paying dividends and bonuses.

In addition, the regulator okayed an SMR reduction for Loans extended to agriculture at a rate of not more than 10%. Consequently, all loans issued at a rate below 10% would qualify for SMR reduction equivalent to loan amount extended. The intervention helped increase Liquidity for the bank to invest in earning assets.

Another critical development was the reduction of risk weights on salaried loans from 100% to 50% for computing regulatory capital of banks. This increased capital ratios, creating room for increased credit to the private sector.

Competitive position

The banking landscape remains highly competitive, exacerbated by the disruptive technologies fronted by Mobile Network Operators (MNOs) and FinTech. The increasing oversight has also led to sustained mergers and acquisitions and is likely to create robust entities and widen the competition.

The Group will continue to leverage its competitive advantage through customer centricity, improved technology, and its expansive network (of more than 250 outlets), alongside a committed workforce to deliver value to all stakeholders. We continue to address needs, which is a critical focus of the CRDB Group throughout the year.

Market forces

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

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

BURUNDI

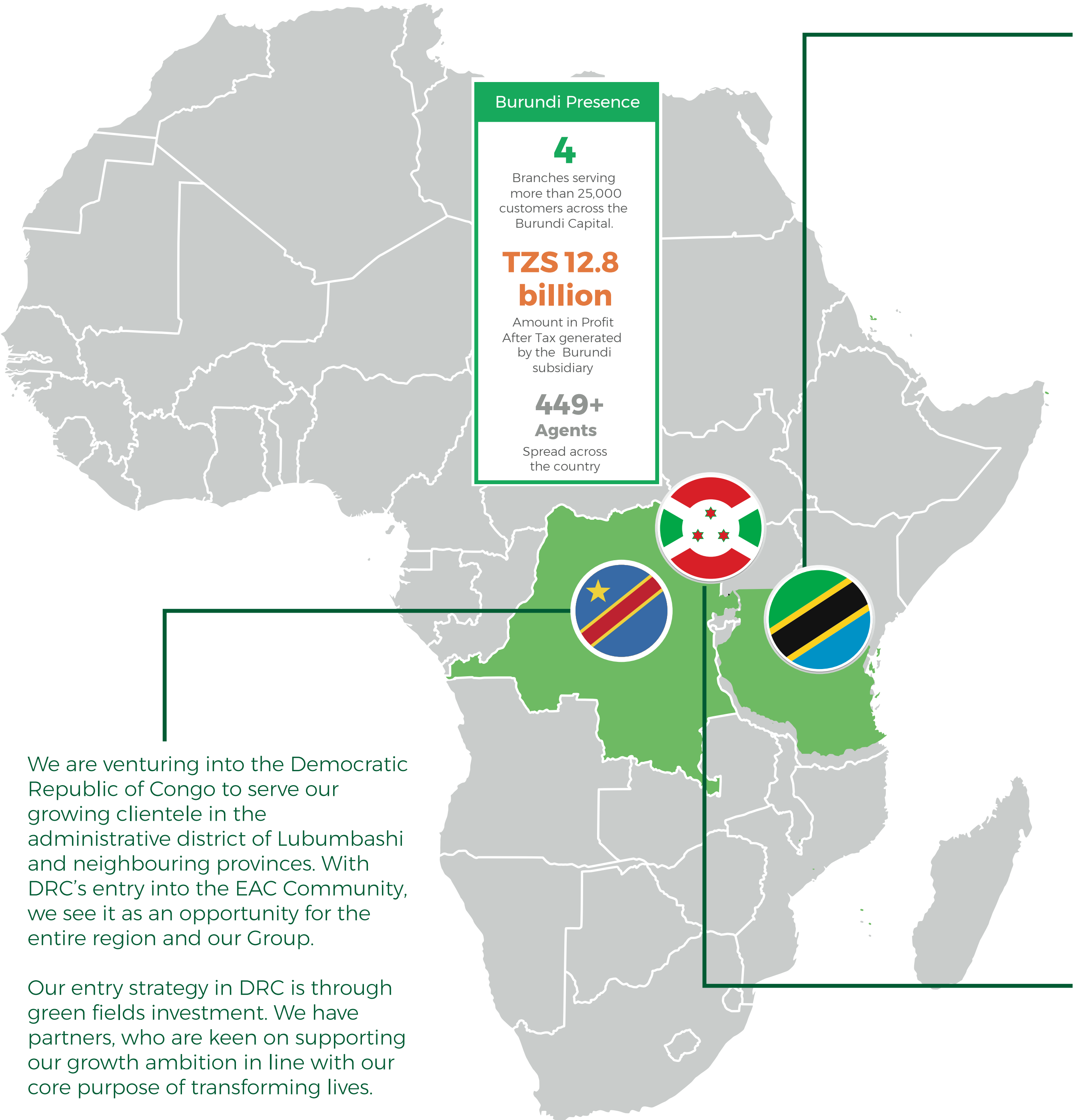
We serve customers across the 17 provinces in Burundi with our agents spread across Bubanza, Bujumbura Mairie (City of Bujumbura), Bujumbura Rural, Bururi, Cankuzo, Cibitoke, Gitega, Karuzi, Kayanza, Kirundo, Makamba, Muramvya, Muyinga, Mwaro , Ngozi, Rutana, and Ruyigi.

Burundi has experienced a difficult economic situation over the last six years, which has caused both fiscal and balance of payments difficulties. To compensate for the loss of external resources, the Government has continued to mobilize internal resources, which has not been sufficient to meet ever-increasing societal needs.

The shocks linked to the COVID-19 pandemic interrupted a still-fragile economic recovery and intensified macroeconomic imbalances. GDP rebounded to 2% in 2021, from 0.3% growth recorded in 2020. The turnaround resulted from improved macroeconomic dynamics due to the reversal of restrictions related to COVID-19. The headline inflation remained high at around 7% in 2021 against 7.5% in 2020, driven by rising food prices and the monetization of the fiscal deficit.

OUR NETWORK COVERAGE

Our distribution model is designed to deliver services to all segments, focusing on accessibility, affordability, reliability and sustainability.



We are venturing into the Democratic Republic of Congo to serve our growing clientele in the administrative district of Lubumbashi and neighbouring provinces. With DRC's entry into the EAC Community, we see it as an opportunity for the entire region and our Group.

Our entry strategy in DRC is through green fields investment. We have partners, who are keen on supporting our growth ambition in line with our core purpose of transforming lives.

TANZANIA

We have **254 branches** spread across Tanzania. The branches are complemented by 20 mobile branch units which are designed to deliver services into the hinterlands of expansive provinces.

We have a network of **19,165 banking agents** providing services to customers within their neighbourhoods. Our focus to make banking accessible by as many people to allow them focus on their core economic activities.

Our ATM Network of **558** forms a core part of our delivery channels. We maintain modern teller machines that provide a better experience for our customers.

We have four (4) dedicated forex bureaus providing services to clients at major airports and strategic cities within the country. In addition, we have a FOREX window in every branch to facilitate exchange of foreign currency in the country.

4.3 Million

Number of Customers in Tanzania

Our Distribution Strategy in Tanzania

Our Distribution Strategy in Tanzania focuses on increasing accessibility of financial services through alternative channels. We leverage our technology capabilities to deliver services through mobile, the internet and third parties. For us, Tanzania is the anchor market and, therefore, informs our investment strategy in line with our core purpose of transforming lives.

BURUNDI

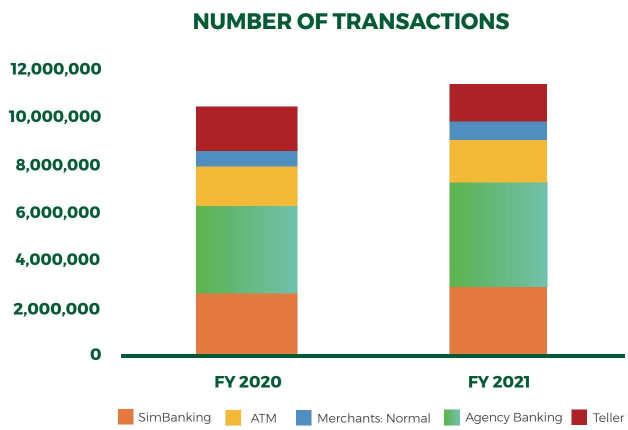
CRDB BANK Burundi S.A marked it's 9th anniversary in November 2021. The Bank was established in 2012 as a wholly-owned subsidiary of CRDB Bank Plc. Driven by a relentless desire to empower people, CRDB Bank Burundi SA continues to expand its footprint within the country working closely with customers from all walks of life and segments of the economy. We provide tailored solutions to our wide-ranging customers to enable them meet their financial needs. Our delivery is based on innovation and we go out of our way to listen and understand those needs.

We have four branches in the Burundi capital, Bujumbura. .

Our **449 TURI HOSE agents** provide all essential banking services including account opening.

We maintain a network of 11 modern ATMs , 10 of which are located in Burundi's capital Bujumbura while 1 is in Ngozi.

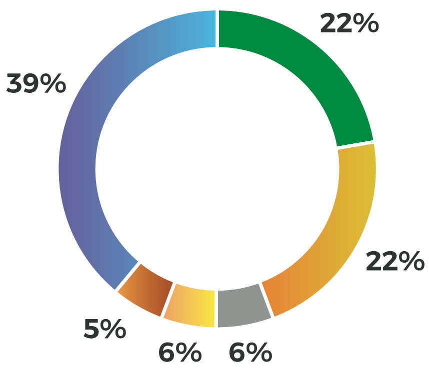
A snapshot of our channel transactions volume in Tanzania



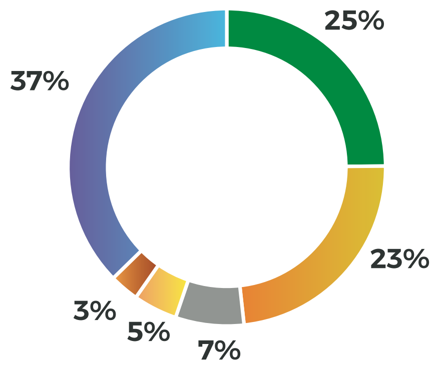
CRDB Bank in the industry context

Our Group continues to puruse strategies aimed at strengthening perfomance in relation to peers and insustry trailblazers. During the 2021 Financial year, we continued to solidify our market position, leveraging opportunities in the market and building on the strong foundation created over the years. In particular, the 2021 approaches focused on recovering in areas that we had lost ground, accelerating growth levers and solidifying our areas of strength with the view to optimising value to shareholders.

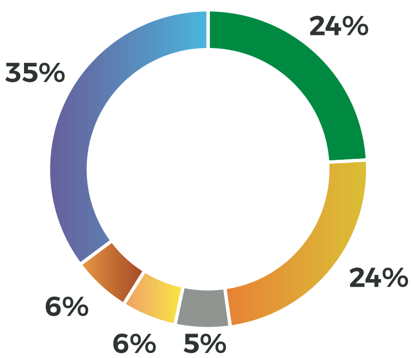
ASSETS



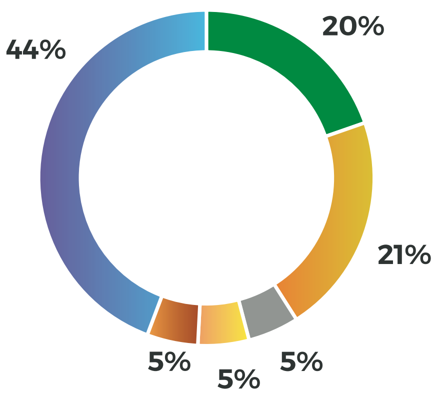
LOANS & ADVANCES



DEPOSITS



CAPITALISATION



KEY: CRDB BANK A BANK B BANK C BANK D OTHERS

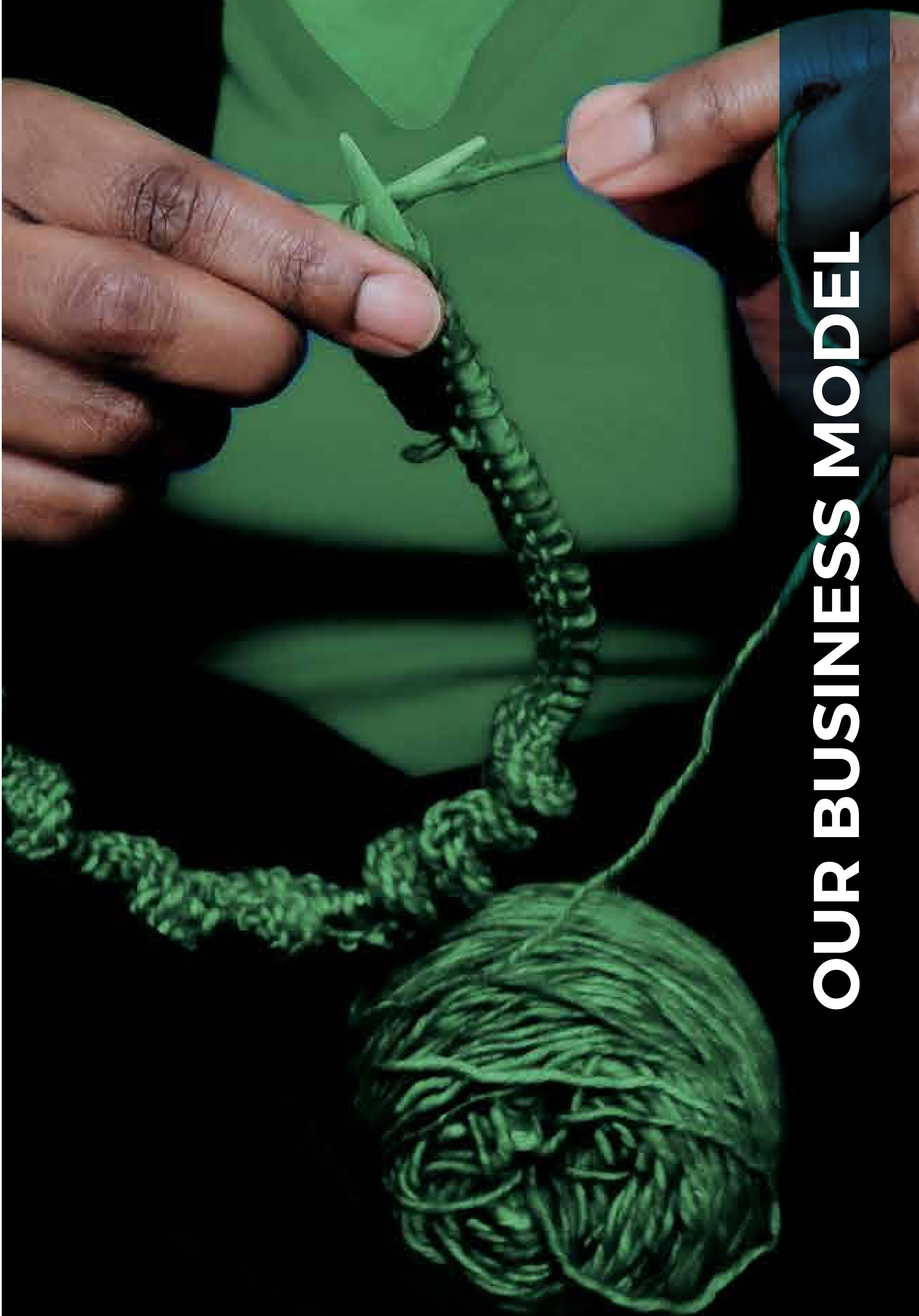
OUR MARKET SHARE

25% LOANS

24% DEPOSITS

We continue to implement strategies geared towards growing our market share in terms of loans, maintaining our leadership in deposits, and widening our position in terms of assets.

OUR BUSINESS MODEL



OUR VALUE CREATION BUSINESS MODEL

INPUTS

FINANCIAL

We leverage our financial resources to support our strategic activities as outlined in our medium-term strategy. Our financial capital comprises of equity, liquid capital, loans, and advances as well as customer deposits. We also rely on funds from our external partners, strategic investors as well as funds including the Green Climate Fund (GCF).

- Equity: TZS 1, 219.3 Billion
- Deposits: TZS 6,489.6 Billion
- Debt: 197.9 Billion

INTELLECTUAL

We have an array of assets including the brand, reputation, and innovation capabilities. We strive to maintain a favourable image, solid reputation, and franchise value. Our priority is to ensure customer loyalty, intellectual property protection and organizational competency and technological capabilities.

- World class IT capabilities
- A market leader across various products and segments including Simbanking, Machinga Proposition, Boom Advance, Pension Loans and Climate Financing

HUMAN CAPITAL

We nurture talented and engaged employees, harnessing their collective knowledge and expertise to deliver powerfully for our stakeholders. Our HR strategy considers three components in building our human resource pool; skills and capabilities, Innovative mindsets, Processes and value proposition.

- 3,650 employees
- An experienced and diverse management team and strong board of directors
- Performance linked reward structures

MANUFACTURED

We maintain and develop our infrastructure, properties, and technology equipment/hardware to ensure they remain productive. Our Manufactured capital includes branches, buildings, a tier 3 data centre, remote and digital channels.

- 254 branches, 558 ATMs and 19,165 Agents
- Market leading digital solutions

SOCIAL AND RELATIONSHIP

We forge and maintain close relationships with our stakeholders in the communities we operate. This helps understand their expectations and engage responsibly in a way that ensures satisfaction leading to support. The latter is critical to our growth strategy.

- 4,3 million customers
- Strong relationship with stakeholders and communities we serve

NATURAL

We consider the direct and indirect impact of our operations on natural resources while sensitizing our staff and the general public on the pertinent issues. Our natural capital has two components, namely environmental .resources, and the biodiversity ecosystem.

- Green Climate Fund (GCF) Accreditation
- Leader in climate financing

VALUE ADDING

- Ensure good returns to our shareholders and investors
- Meet the transactional needs of our clients.
- Supporting worthy causes in the society to uplift the communities we work in.
- Investing in cutting-edge technology and efficient processes.
- Attract and retain a skilled and talented workforce.

OUR PURPOSE

We rely on our strategy to execute these while keeping tabs with the evolving customer needs and expectations. We also consider the external factors that may influence our achievement of results.

ACTIVITIES

Matters influencing Value Creation

- Provide banking solutions that address the financial needs of our customers.
- Provide credit facilities to support our client's growth.
- Leverage external funding to finance our growth ambitions.
- Providing financing for country infrastructure projects to facilitate the economic growth in the markets we operate.
- Deepening access to financial services to address income inequality
- Provide leadership through innovation and technology to support the growth of the banking industry.

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

- Increasing Competition
- Covid 19 Pandemic
- Disruptive technology and associated risks and opportunities
- Changing stakeholder expectations
- Ongoing regulatory and policy pressure

For a discussion on material matters refer to page 32

Our value creation activities are influenced by the operating environment.

OUTCOMES

FINANCIAL

- ROE of 22.0%
- PAT up by 62.3% YoY
- TZS 36 dividend per share for 2021 FY

INTELLECTUAL

- Improvement in IT Maturity
- Market Leading Digital App - SimBanking

HUMAN CAPITAL

- TZS 293 billion paid in salaried and benefits
- Staff attrition at 0.3%

MANUFACTURED

- Improved system uptime.
- Largest agency network - 19,165 Agents
- Increased digital transactions.

SOCIAL AND RELATIONSHIP

- TZS 1.8 Billion socioeconomic investment
- TZS 249 Billion in direct and indirect tax contributions

NATURAL

- USD 100m facility from GCF
- Participation in creation the National Climate Change Strategy (2021-2026)

Our business is built on a desire to transform lives. The actvities are designed to drive three overarching outomes: drive social progress and individual well-being, help preserve the environment and ensuring propserity for all stakeholders.

OUR CAPITALS

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

FINANCIAL CAPITAL

The Group maintains an optimal level of capital to support its growth, investment opportunities and meet regulatory requirements. In 2021, we continued to support various sectors of the economy with a focus on the agriculture sector and SMEs. In the year under review, the Group's proposal for agriculture climate adaptation and technology deployment was approved by the Green Climate Fund (GCF), allowing the Group access to $100 million in funding for agriculture projects in Tanzania.

Our investors - both debt and equity - played a big part in the makeup of our financial capital and the operationalization of our strategy. We were able, through our wide distribution networks and solid financial footing, to attract and mobilize a balanced mix of deposits to further support our lending activities across the region. During the year, the Group's customer deposits grew by 19.4% YoY to TZS 6.5 trillion from TZS 5.4 trillion. Our shareholder funds grew by 20.6% to TZS 1.2 trillion during the year. Additionally, our retained earnings form part of the financial capital used in the execution and growth of our strategic investments. Whichever form of funding CRDB Bank Group sources, it is accessed at competitive rates, leveraging our financial capacity to efficiently create and maximize shareholder value.

We have a B2 (stable Outlook), long-term deposit rating by MOODY's.

HUMAN CAPITAL

Human capital forms the core of our growth strategy because our people provide the power that drives our machine. As a Group, our human resource strategy is designed to maintain an engaged and motivated workforce that is guided by a clear vision and anchored in strong values. We are focused on embedding a culture of continuous development, which increases competitiveness and investment in the development of skills required by employees to serve the digital customer of the future.

The Group's ability to attract talent from the market is premised on our reputation in the industry and anchored on excellent performance over time. We continually benchmark our compensation and benefits plans for our employees to ensure that we remain competitive in the market.

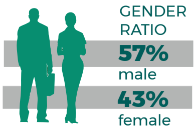
We reckon that consistent growth requires us to adapt to a dynamic, competitive environment without adding bulk. We have empowered our cost leaders to understand how to streamline, strip away excess complexity and achieve efficiency and productivity.

We have built clear command structures that foster accountability to achieve the best possible results. We recognize that superior performance requires excellence in key capabilities and satisfactory results in other areas. Our priority is to ensure that our employees are invested in their results and willing to go the extra mile to ensure the company's long-term success.

TOTAL GROUP EMPLOYEES

98 Burundi Subsidiary
3,547 CRDB Bank (Tanzania)
5 Insurance Subsidiary

EMPLOYEE DIVERSITY BY RATIOS



GENDER RATIO
57% male
43% female

EMPLOYEE DIVERSITY BY ENGAGEMENT

87% Employee Engagement
63.1% Employee Net Promoter Score
0.3% Staff Turnover
33% Women Engagement

EMPLOYEE DIVERSITY BY AGE

INTELLECTUAL CAPITAL

Our group believes that its profitability and growth is dependent upon the development and astute deployment of its intangible (knowledge) assets. Over time, we have learned that wealth creation in an open world economy depends critically on technological innovation. This in turn involves developing, owning, and astutely orchestrating knowledge assets and intellectual property. It is what constitutes dynamic capabilities. Increasingly, the value-enhancing skills required in management are gravitating away from the administration towards the entrepreneurial. The determinants of our Group's innovative capacity are rooted in the organizational design, incentives, human resources, internal culture, and external linkages.

SOCIAL MEDIA PLATFORM
as at December 2021

162,011+ FOLLOWERS	74,809+ FOLLOWERS	3,130+ FOLLOWERS
39,698 FOLLOWERS	202,779+ FOLLOWERS	2,304+ INTERACTIONS PER DAY

Our priority is to build an enterprise that thrives on innovation by adopting the right business models, integration strategy, and organizational form. We have invested in strong brand and subsidiary businesses, strategic partnerships and innovative products and solutions that offer to our customers. We have made commendable progress in digital adoption with a focus on automation, which is a key driver of delivering our digital strategy.

MANUFACTURED CAPITAL

Our Manufactured capital is the land and buildings we operate out of (our head office, Company-owned properties and branch network), our logistics fleet and our IT infrastructure.

By investing in our property, we are investing for growth and sustainability which in the short-term impacts our financial capital and reduces our financial flexibility. This investment is imperative for improving our efficiencies and competitiveness, and increasing our capacity to generate stronger returns in the medium and long term.

Our logistics operations, to a certain extent, affects the environment. To mitigate this impact, we continue to invest in more efficient technologies such as paperless banking, to improve efficiencies and reduce the adverse impact. In addition, we continue to upgrade our fleet to minimise our carbon footprint. These investments reduce our financial capital flexibility.

SOCIAL AND RELATIONSHIP CAPITAL

The viability of our business depends on our ability to create and sustain strong relationships with customers and the wider community. In our approach, we aim to generate a positive impact on society by improving how people live and how businesses operate. CRDB Bank's products and services are designed to support the wellbeing and competitiveness of the markets that we operate in. Our value creation philosophy is captured in our purpose statement - 'to transform lives through financial sector innovation, intuitive action and sustainable business.

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

OUR INVESTMENT ON SOCIAL AND RELATIONSHIP CAPITAL

SOCIAL INCLUSION

ENGAGEMENT WITH CUSTOMERS

INTERACTION WITH STAKEHOLDER GROUPS

GENERATE

FINANCIAL INCLUSION

SUPPORT TO COMMUNITY GROWTH AND COUNTRIES PROSPERITY

POSITIVE IMPACT ON SOCIETY

NATURAL CAPITAL

Natural capital constitutes the environmental resources used throughout the Group's operations. We are committed to reducing our carbon footprint by remaining conscious of our materiality. As a Group, we believe that preserving natural capital ensures a sustainable foundation for a circular economy. At the same time, a circular economy contributes to maintaining natural capital by reducing the environmental burden resulting from the use of material resources.

CRDB Bank promotes the conservation of natural capital in multiple ways: its social investment strategy is one of the instruments it uses in mitigating the impact of its activities on the environment. The Group is actively engaged in sustainable environmental management and contributes to various initiatives on afforestation, tree planting and urban hygiene programs.

OUR STAKEHOLDERS MAP

STAKEHOLDERS MAP

System Associates/Partners

- **CRDB WAKALA AGENTS** — INTEREST★★★ INFLUENCE ★★★
- **SUPPLIERS/SERVICE PROVIDERS** — INTEREST★★★ INFLUENCE ★★★

Shareholders/Investors

- **INSTITUTIONAL INVESTORS** — INTEREST★★★ INFLUENCE ★★★
- **INDIVIDUAL INVESTORS** — INTEREST★★★ INFLUENCE ★★

Regulators / Scrutineers

- **BANK OF TANZANIA (BOT)** — INTEREST★★★ INFLUENCE ★★★
- **CAPITAL MARKETS & SECURITIES AUTHORITY (CMSA)** — INTEREST★★★ INFLUENCE ★★★
- **TANZANIA REVENUE AUTHORITY (TRA)** — INTEREST★★★ INFLUENCE ★★★

Media

- **PRINT** — INTEREST★★ INFLUENCE ★★★
- **RADIO** — INTEREST★★ INFLUENCE ★★★
- **SOCIAL MEDIA** — INTEREST★★ INFLUENCE ★★★

Professional Bodies

- **TANZANIA BANKERS ASSOCIATION (TBA)** — INTEREST★★ INFLUENCE ★★★
- **NATIONAL BOARD OF ACCOUNTS & AUDITORS (NBAA)** — INTEREST★★ INFLUENCE ★★

Community

- **SOCIAL GROUPS** — INTEREST★★ INFLUENCE ★★★
- **ACADEMIC INSTITUTIONS** — INTEREST★★ INFLUENCE ★★★

Government

- **OFFICE OF THE PRESIDENT (TZ)** — INTEREST★★★ INFLUENCE ★★★
- **MINISTRIES, STATE DEPARTMENTS (TZ)** — INTEREST★★★ INFLUENCE ★★★
- **GOVERNMENT OF BURUNDI** — INTEREST★★★ INFLUENCE ★★★

Customers

- **CORPORATE CUSTOMERS** — INTEREST★★★ INFLUENCE ★★★
- **RETAIL CUSTOMERS** — INTEREST★★★ INFLUENCE ★★★

Staff

- **MANAGEMENT TEAM** — INTEREST★★★ INFLUENCE ★★★
- **EMPLOYEES/SUPPORT STAFF** — INTEREST★★★ INFLUENCE ★★★

Special Interest Groups

- **TRADE UNIONS** — INTEREST★★ INFLUENCE ★★
- **WORKERS UNIONS** — INTEREST★★ INFLUENCE ★★

OUR STAKEHOLDERS

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

STAKEHOLDERS	THEIR NEEDS AND EXPECTATIONS	KEY OBJECTIVES AND METRICS WE TRACK
SHAREHOLDERS AND INVESTORS **81** Foreign Investors **910** Local Institutional Investors **29,150** Retail Investors	• Shareholder value creation through share price appreciation and an attractive and sustainable dividend stream • Continuous engagement to inform their investment decisions	• Return on Equity • Cost-to-Income Ratio • Dividends paid to share holders • Profitability
EMPLOYEES **3,650** Employees **57%** Male **43%** Female	• Career development and advancement opportunities • Challenging work, with opportunities to make a difference • Employment at a company with a strong brand • An empowering and enabling environment that embraces diversity and inclusivity • Fair remuneration, effective performance management, and recognition • A safe and healthy work environment	• A culture that is client-centred and innovative growth • A diverse and inclusive staff profile • Staff Productivity • Employee engagement • Talent retention/attrition rate • Diversity and inclusion (Ration of male to female)
CUSTOMERS **>4M** Customers Million	• Innovative financial solutions and services • Convenient access to banking services through digital channels • Excellence in client service • Value-for-money banking that is competitive and transparent in pricing	• Customer Net Promoter Score • Client complaints • Digital service rollouts : • Simbanking registered customers • Dormancy Rate
REGULATORS AND POLICY MAKERS **BOT** Bank of Tanzania **TRA** Tanzania Revenue Authority **CMSA** Capital Markets and Securities Authority	• Compliance with all legal and regulatory requirements • Being a responsible taxpayer in all jurisdictions where we conduct business • Active participation and contribution to industry and regulatory working groups	• Compliance to minimum regulatory requirements • Direct and indirect tax contributions • Core Capital (Tier 1) • Total Capital • Loan to Deposit Ratio
SOCIETY Communities we serve Suppliers Partners Media	• CRDB providing access to relevant financial solutions that help to achieve desired outcomes for individuals, their families, their businesses and their communitie • CRDB influencing its stakeholders to act responsibly in environmental, social and governance matters • CRDB partnering with the community to address common social and environmental issues to build a thriving society	• Corporate social investment spend and activities • Employment opportunities • Consumer Loans • Number of service providers/ suppliers
PLANET	• CRDB Bank is playing an active role in ensuring the sustainability of the planet • The Group is committed to supporting global initiatives towards reducing greenhouse gas emissions through sustainable practices • We are an accredited entity with the Green Climate Fund and we are committed to helping in the achievement of the SDGs	• Achievements against SDGs • Number of green loans • Energy conservation/ green energy projects • Conservation projects

OUR MATERIALITY

The last couple of years has presented unique challenges for many organizations around the world. Similarly, our Group operates in a fluid environment that by continuous change. Among factors that influence our business is disruptions such as the COVID-19 pandemic and technology (disruptive tech), increased competition, changing consumer behaviour, and increasing regulations. Within the context of our current strategic, cultural and digital journey, we manage the following material matters:

Understanding 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.

Engaging our stakeholders

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 are 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 the 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 countries laws and regulations.

Determining our material issues

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.

2021 materiality analysis

CRDB Bank Group has adopted a consultative approach in analyzing the Group's materiality. In illustrating the Group's materiality, we assessed internal and external stakeholders' expectations and considered the most important themes, which will form the basis of the future reporting. We will continue to hold extensive consultations with our stakeholders and update the matrix in 2022.

The process we use in determing our material matters

Identifying

We proactively identify issues that have the potential to impact our earnings sustainability and create, preserve or erode value for our stakeholders.

Assessing

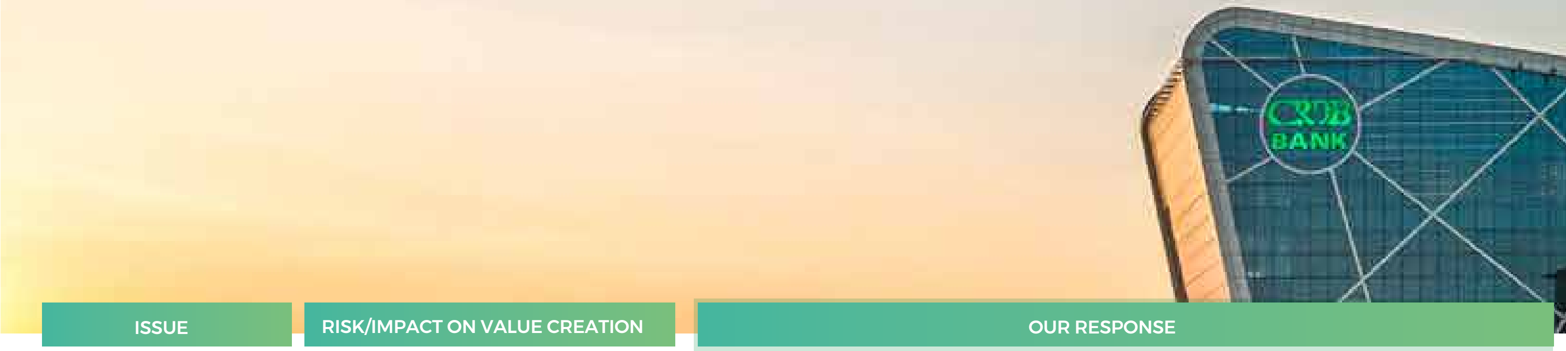
We continually assess the material issues to ensure our strategy remains relevant.

Prioritzing

We endeavour to prioritize issues with the greatest relevance in our operating context as material matters.

Applying & validation

We use the determined material matters to inform our strategy and targets.



ISSUE	RISK/IMPACT ON VALUE CREATION	OUR RESPONSE
1 COVID-19	Slowdown of business activities resulting from disruption on global supply chains, change in spending priorities, health concerns and slower transactional volumes that impact revenue growth.	• Forging closer relationships with customers to supporting them to navigate the crisis. • Close engagements with stakeholders to find ways of mitigating impact of the pandemic • Protecting customers and staff the virus and possible health implications • Adapting our strategies to cope with the challenges associated with the pandemic
2 Rising stakeholder expectations	Stakeholders' sentiments can impact our reputation and, affect the cost and availability of funding that is required to drive long-term performance.	• Sustaining engagements with stakeholders to best understand their expectations to incorporate into our strategic planning • Adopting integrated reporting to increase transparency on our value creation process • Holding regular calls with investors to discuss company performance and emerging issues • Maintaining a stakeholder register with up-to-date contacts for regular engagements
3 Increasing competition.	Loss of market share coupled with pressure on revenues and possible loss of revenues if our offerings don't remain competitive.	• Delivering innovative products and services in a securely digitised environment • Creating winning propositions that adequately respond to changing customer needs • Investing in R&D to ensure we provide market-driven solutions • Motivating our people to provide the best-in-class service so as to attract and retain customers
4 Disruptive technologies and digital adoption	Digital transformation is changing the way we do business, from client onboarding and products sales to servicing.	• Improving our partnerships to drive greater alignment between our business and technology partners to ensure we remain agile in the face of change. • Embedding digital adoption into our culture to ensure sustainability. • Investing in R&D to ensure the Group remains competitive; learning from successful markets
5 Ongoing Regulatory and policy changes	Growing compliance costs which may have to be passed on to customers and ultimately impact shareholder returns.	• Allocating a material proportion of our investment to regulatory compliance & risk prevention initiatives • We engage with policy makers and communities to advocate for appropriate regulatory reform • Maintaining constructive and proactive relationships with key regulator
6 Cost of Operations	Bank of Tanzania requires all financial institutions to have a cost to income ratio below 55%.	• We have launched several initiatives to optimize our cost structure and grow our revenue lines • We are automating internal processes to enhance efficiency and increase turnaround time • We have rationalized staff by moving them from back office duties to from office/sales duties • We have rolled out at branch transformation program to drive productivity within the network
7 Regional expansion	Significant investment is required to establish cross-border operations; which implies more capital investments.	• We have enough capital reserves to fund the Group's growth ambitions. • We have international funding partners ready to support the Group's expansion into the DRC • All necessary approvals have been received and licences issued for purposes of launching operations • Capitalising the good bilateral relations to create business pipelines that will ensure the subsidiary is a going concern within the first year of operation
8 Environmental sustainability	Increasing climate change impact on operations and the sustained global push to reduce green house gas emissions.	• We have embarked on the ESG journey to guide our approach to sustainability • We are accredited by the United Nations (UN) GCF as a financial intermediary in climate change in Tanzania • We have embedded climate financing in our credit offering • We have received $100 million funding for climate resilience and technology adaptation in agriculture in Tanzania

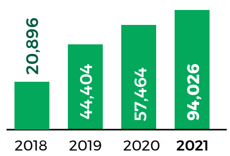
THE VALUE WE CREATED 2021

Value for stakeholders

CRDB Bank continues to play an important role in society and in the economies of the countries that we operate. Our Group remains committed to delivering on our purpose of transforming lives through financial sector innovation and intuitive action to contribute to the well-being and growth of the societies in which we operate. We endeavour to sustain value to our employees, clients, shareholders, regulators and society. During the 2021 financial year, the Group's profitability and returns were not our primary focus as we focused to supporting our stakeholders, especially our clients in fast-tracking their recovery, coming from a depressed environment occasioned by the COVID-19 pandemic..

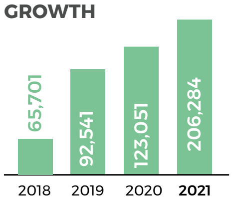
VALUE ADDED FROM FINANCIAL SERVICES (**INCOME EARNED FROM FINANCIAL SERVICES** TZS 790 B − **COST INCURRED IN PROVISION OF SERVICES** TZS 145 B) + **NON OPERATING INCOME** (**NON OPERATING INCOME** TZS 357 B − **NON OPERATING EXPENDITURE** TZS 224 B) = **VALUE ADDED** TZS 778 B

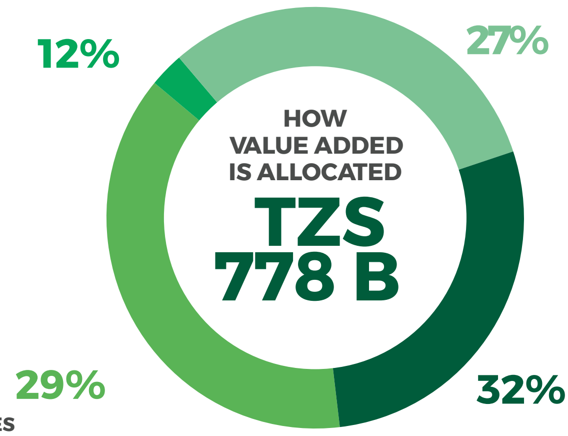
DIVIDENDS PAID TO SHAREHOLDERS



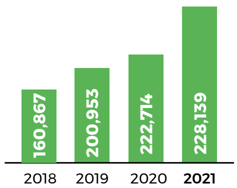
Value is allocated to shareholders in respect of cash dividends and income attributable to non-controlling shareholders.

EXPANSION AND GROWTH

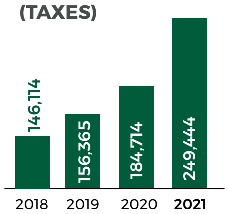




TO EMPLOYEES



GOVERNMENT (TAXES)



Includes direct and indirect tax, payroll tax, dividends withholding tax and other taxes.

VALUE ADDED STATEMENT

In TZS Million

	2021		2020	
Income earned from financial services	**790,445**		699,294	
Cost incurred in provision of services	**(144,570)**		(118,814)	
Value added from financial services	**645,875**		580,480	
Non operating income	**356,669**		264,655	
Other operating expenditure	**(224,651)**		(257,192)	
Value - added	**777,893**		587,943	
Distribution of value added				
To Employees:				
Salaries and other benefits	**228,139**	**29%**	222,714	38%
To Shareholders:				
Dividend to other shareholders	**62,057**	**8%**	37,683	6%
Dividend to the Government	**31,969**	**4%**	19,781	3%
To Government:				
Corporate Tax	**99,618**		49,036	
PAYE	**57,294**		61,030	
Skills & Development Levy	**8,355**		9,310	
Excise Duty/ Service Levy and other taxes	**30,332**		24,654	
VAT on services	**53,845**		40,684	
Total Taxes	**249,444**	**32%**	**184,714**	32%
To expansion and growth				
Depreciation, deferred tax and retained earnings	**206,284**	**27%**	123,051	21%
Value distributed	**777,893**	**100%**	587,943	100%

OUR ESG JOURNEY

Environmental, social, and governance (ESG) initiatives are driving the next revolution in the financial services sector. Our Group reckons that as consumers, regulatory bodies, and governments increase pressure on businesses to demonstrate their commitment to sustainability and ethical practices, it is critical that we integrate ESG principles in our activities. We are in the process of developing our ESG framework that will take into consideration all factors relevant to our stakeholders. The framework will be integrated into our medium-term strategy with clear KPIs to measure; which will be featured in our next annual report. We are already tracking some of the elements that we have been doing over the years.

Our ESG priorities

Supporting community to break barriers by empowering them to achieve financial independence and long lasting social security.

Expanding our sustainable finance offerings and integrating sustainability across our wider service offerings.

Prioritizing the wellbeing of our people through development, talent mix, engagement and social matters.

Consideration of environmental social safeguards and strategy in lending to projects in our markets of operation

Create trust to the community by continuously engaging them on material issues and supporting their aspirations

ENVIRONMENT

Investing in climate resilient projects

$250 MILLION	The amount CRDB Bank can access per project to support climate-resilient projects in Tanzania under the Green Climate Fund (GCF)
> TZS400 BILLION	Amount earmarked to finance the agriculture sector in 2022 following approval of a proposal by CRDB Bank to GCF

Supporting achievement of SDGs In all of our investments, operations, and product design, including the lending process, the CRDB Bank Group is committed to fostering sustainable development. Environmental and social sustainability are critical components of attaining our goals, and they are in line with our long-term growth strategy.

SOCIAL

Embracing diversity

57% 43%

All performance contracts within the Group include ESG components. We are in the process of integrating individual ownership of the SDGs for all executive leaders

Financial inclusion

CRDB Bank embraces a broad definition of financial inclusion, seeking to improve access, ensure quality and actual usage of financial products and services, including credit, insurance, payments, remittances, and savings.

Supporting Society

TZS 1.8 BILLION

The amount spent towards supporting social causes in 2021. Our CSI initiatives focus on four pillars; environment, health, youth and sports and education.

GOVERNANCE

A caring employer

87% Employee Engagement
63.1% Employee Net Promoter Score
33% Women Engagement
0.3% Staff Attrition

All performance contracts within the Group include ESG components. We are in the process of integrating individual ownership of the SDGs for all executive leaders.

Independent and diverse board

The majority of CRDB Bank's board members are independent non-executive directors, which complies with global best-practice governance. We are guided by strong principles of good corporate governance, which we conceive as integral to our prosperity.

Ethical Conduct

The CRDB Bank Ethics Policy sets out the minimum standards of conduct expected from the Board of Directors, employees, suppliers, and distributors. The policy covers a wide range of topics, including human rights standards, how to deal with conflicts of interest, how to avoid bribery and general principles on how the company competes. The Group is committed to high standards of ethical behaviour and upholds a zero-tolerance approach to bribery and

INTEGRATING SUSTAINABILITY FOR BUSINESS RESILIENCE

Globally, the COVID-19 pandemic has created a defining moment for the sustainability agenda, as organisations grappled with the impact of the crisis on their businesses while juggling the focus on people, profits, and the planet.

COVID-19 is the most wide-reaching public health crisis our world has faced in a long time. It has significantly impacted practically every aspect of business operations. COVID-19 has made one aspect very clear: the centrality of sustainability for business resilience. Companies that integrated sustainability and transparency strategically into their business operations, before the COVID-19 crisis, have put an even stronger focus on it now during the crisis.

More importantly, they were much more agile in responding to unexpected events. From my perspective, health, safety and wellbeing became central to the resiliency and sustainability discussion in a way that has never occurred before. Additionally, we have seen the role of partnerships; since no organisation can deal with a pandemic on its own.

At CRDB Bank Group, we have maintained our focus on pursuing our sustainability goals and objectives, which are anchored on doing good amidst the harsh economic environment. At the advent of the pandemic, the Group shifted focus to not only ring-fence the business but also to support our stakeholders to navigate the unprecedented challenges of the time. We also sustained our push for minimal harm to the environment and offered a boost to the economy.

As such, the sustainability targets we had set for ourselves remained on track. During the 2021 FY, CRDB Bank continued to integrate the Social and Environmental Management System (SEMS) into its lending processes. However, as expected, the business teams were not able to incorporate client site visits because of the COVID-19 pandemic, as well as customers having to close down their business because of country lockdown measures.

While the COVID-19 containment measures made the exercise rather challenging, the Bank managed to screen 87 customers. Additionally, the Group reviewed internal policies to align with the changes in the operating environment and the sustainability scope.

The 2020 experience was instrumental in creating awareness for the public and private sector to prioritize Sustainable Development Goals (SDGs) action plans to realize the goals by 2030. Therefore, the global calls for a 'Decade of Action' resonates well with our action plan; which was adopted in 2017 and, mainstreamed into our operations in 2018.

Joyceleane H. Makule
Senior Manager, Corporate Social Investments

OUR STRATEGY

At CRDB Bank Plc, we aim to transform lives through our everyday activities. We believe in both social and economic transformation as prerequisites for better, sustainable lives. Our desire for inclusive growth has ensured that we remain dedicated to providing solutions for all sectors of the economy, with the view of building a vibrant environment for growth.

WHAT INFORMS OUR EXISTENCE

Mission

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

Our Purpose

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

Vision

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.

MEDIUM-TERM STRATEGY PILLARS

Transform the existing machine

Achieve best-in-class productivity and proactive credit management.

Address the enablers

Improve organisational health and performance.

Build the bank of the future

Provide a seamless digital experience and create value for customers, employees, and shareholders.

STRATEGY

TRANSFROM AND GROW

TRANSFORM

Reengineer the business to acquire new capabilities and build a renewed, future-oriented mindset to drive sustainable growth.

GROW

Leverage the opportunities in the market to extend the Group's influence and accelerate growth, while delivering optimal value to stakeholders.

KEY DRIVERS

Improve the quality of our operations
Digital transformation
Cross-border expansion
Business diversification
Inclusive financing.

LONG TERM ADVANTAGE

- **Integrated business model** Leverage our business model to create innovative products that address financial needs of our diverse customers.
- **Culture transformation** To embed required culture shifts that will improve overall employee experience, and in turn motivate employees to be more purposeful.

KEY PEFORMANCE INDICATORS

FINANCIAL

- Achieve an ROE of > 20%
- Attain a Cost-to-income Ratio of < 55%
- Maintain annual PAT growth > 15% every year
- Achieve a ROA > 4%
- Maintain an NPL ratio of below 5%
- Liquidity ratio of > 25%

NON- FINANCIAL

CUSTOMER

- Number of new customers/accounts opened
- Retention Rate/dormancy rate
- Channel performance
- Customer Satisfaction Index
- Net Promoter Score (NPS)
- Customer engagements and interactions
- Product adoption rate

INTERNAL PROCESSES

- Turnaround time
- No of processes automated
- Risk compliance levels (all risk indicators)

LEARNING & GROWTH

- Number of trainings provided in a year
- Talent retention rate
- Diversity and inclusion

Value unlocks- Key Perfomance Indicators

Our 'value-unlocks' speak to the performance indicators; defined by our medium-term strategy and guide the bank's growth, in the context of the defining purpose - to transform lives through financial sector innovation and intuitive action.

Strategic Pillars	Value Drivers	YoY Change
Transform the existing machine		
Profitability (TZS)	Growth/Productivity	▲
ROE	Growth/Productivity	▲
Cost-to-income ratio	Growth/Productivity	▲
Brand value ranking	Growth	▶
Customer Net Promoter Score	Growth/Productivity	▲
Asset Market share (%)	Growth/Productivity	▶
Non Performing Loans (NPL)	Growth/Productivity	▲
Non Funded Income (% contribution)	Growth/Productivity	▲
Build a bank of the future		
Process Automations (cumulative no.)	Productivity	▲
Digital adoption & Usage (transaction Vol.)	Growth/Productivity	▲
Channel optimisation (Digital Channel usage)	Growth/Productivity	▲
Digital service roll outs : Simbanking customers	Growth/Productivity	▲
Dormancy Rate	Growth/Productivity	▲
Address the enablers		
Core Capital (Tier 1)	Capital Risk Management	▲
Total Capital	Capital Risk Management	▲
Loan to Deposit Ratio	Capital Risk Management	▲
System uptime	Growth/Productivity	▲
Employee Productivity (In TZS)	Growth/Productivity	▲
Attrition rate	Growth/Productivity	▲
Diversity and inclusion (Male to Female)	Growth/Productivity	▶

						OUTLOOK		
2021	**2020**	**2019**	**2018**	**Benchmark**	**Target (2021)**	**2022**	**Medium term**	**Long term**
268Bn	165Bn	120Bn	64Bn	N/A	224Bn	>10%	Increase	Increase
22 %	16.3%	13.8%.	8.3%	N/A	19%	>20%	Increase	Increase
55.3%	61.6%	64.4%	66.7%	50%	56%	<55%	<55%	<50%
1	2	2	2	1	Maintain	Maintain	Maintain	Maintain
52%	-	-	-	N/A	50%	>50%	Increase	Above 70%
22 %	22%	21%.	20%	N/A	Grow	>22%	Maintain	Increase
3.3 %	4.4%	5.5%.	8.5%	<5%	3.5%	<3.5%	Maintain	Maintain
34%	31%	30%.	29%	N/A	34%	36%	40%	Increase
90/111	189/300	-	-	-	-	20/20	Materially Completed	100% Digitized
93Mn	76Mn	74Mn	39Mn	N/A	Increase	Increase	Increase	Grow
96%	90%	87%	87%	87%	>90%	Increase	Increase	Grow
1.8Mn	1.2Mn	1.6Mn	1.3Mn	-	>90%	Increase	Increase	Grow
19%	56%	52%	11%	<10%	<20%	Improve	Maintain <20%	<10%
20 %	16.3%	17.2%.	13.5%	12.5%	14.0%	18.0%	14-18%%	14-18%
20%	16.4 %	17.4%	15.2 %	14.5%	16.0%	20%	16-20%	16-20%
78.8%	75.1%	68.1%	70.7%	80%	<80%	<80%	Decrease	Decrease
90 %	87 %	77 %.	78 %	100%	99%	>90%	<95%	99.9%
106Mn	65Mn	50Mn	32Mn	N/A	70Mn	> 100Mn	Sustain	Optimize
0.3 %	3.0%	-	-	N/A	<1%	<1%	Maintain	Maintain
57:43	56:44	-	-	-	50:50	Improve	Improve	50:50

A REVIEW OF OUR STRATEGY

2021 was the fourth year of our five-year strategy, which was premised on three key pillars namely; fixing the existing machine, building a bank of the future, and addressing the enablers. The pillars provide a wider context of the Group's growth ambitions, taking into account the challenges within the markets of operations, and the aspirations of our shareholders.

Since the strategy's inception in 2018, the Group has made commendable progress in its implemention, resulting in significant gains in terms of positioning the Group for sustainable growth. To ensure optimal delivery on the strategy, the Group uses strategic themes for each financial year, which are informed by both the external environment and the challenges within the organisation. The strategic themes play a significant role in ensuring fidelity to the medium-term strategy, and a sustained focus on seven (7) strategic thrusts within the context of the long-term vision of the organisation.

We have modelled the strategic thrusts along with our business model for ease of tracking and more simplified reporting. The thrusts are: - Business Growth, Service Enhancement, Channel Optimization, Technology Enhancement, Operational Efficiency, Credit Management and People.

Business Growth

The successes of 2021 are a result of sustained innovation, alongside prudent management of costs and enhanced efficiency across the business functions. Our Group PAT grew by 62.3% (YoY) TZS 268.2 billion from TZS 165.2 billion posted in 2020 on the back of increased revenues and strategic cost containment initiatives implemented throughout the year.

Similarly, we amplified our business diversification strategy, exploring opportunities in sectors that we previously were not keen on, such as mining and oil & gas. The diversification approach resulted in new income lines with a notable breakthrough with the oil marketing companies.

Coming from a disrupted environment due to COVID-19, we remained conscious of the aftershocks of the pandemic and continued to support our customers to recover. A critical consideration for us was in understanding the challenges that each of our customers faced and developing solutions to support their unique situation. This approach paid off with most of our borrowing customers being able to service their loans leading to the improved NPL ratio, which closed at 3.3% as of December 2021.

We continue to explore opportunities in our markets including new markets to ensure that we build a strong business that will guarantee returns for our shareholders.

Service Enhancement

Providing an excellent customer experience remains a priority for our Group, as it forms the core of our culture. We reckon that today's customers have access to hundreds of options when deciding who will care for their money, banks are competing for customers by offering lower fees, higher returns, and new digital services. Increasingly, banking services have been commoditized, hence the need to differentiate to keep existing customers while attracting new ones.

Our Group considers the quality of customer experience as a top driver of choice and ongoing retention. During the 2021 financial year, we invested considerable resources in addressing the experience gap within our business ecosystem, to remain competitive and impact business results.

Channel Optimisation

Learning from the experiences of 2020, we embarked on 2021 ready to confront the challenges that come with pandemic recovery. We had a clear strategy to acquire new customers through aggressive sales, targeting specific value chains for better sustenance. We augmented the delivery of our services by expanding our alternative channels and enhancing the experience on all our touchpoints.

We also enhanced our flagship products and tailored them to the specific needs of our customers, resulting in increased uptake and adoption. More importantly, we strengthened our strategic partnerships, which helped reinforce our capabilities in terms of funding and service delivery

In line with our channel optimisation strategy, we continued to expand our alternative channels, placing considerable weight on digital banking. We aimed to leverage the changing consumer behaviour, especially as influenced by the pandemic, to drive adoption. Specifically, we revamped our SimBanking app and improved the internet banking platform, giving our customers a more exciting experience.

We also continued to invest in our agency banking channel, growing the number of our agents to 22,000. As of the end of the financial year, 19,165 agents we actively transacting, supporting nearly 60% of our active customers.

Technology Enhancement

The global health crisis, to a large extent, accelerated our digitization projects since technology provided a viable avenue through which customers could continue to transact in the thick of the disruptions. During the year, we rolled out various initiatives aimed at simplifying services and creating more value for the end-users. In line with this, we revamped the digital touchpoints, strengthened by robust back-end ICT infrastructure and support. In addition, we upgraded most of our systems, including operationalizing a new Core Banking System (CBS).

As a result of the investments, the Group achieved a 90% uptime on service availability, which is consistent with our targets for the year. Overall system stability was pegged at above 95%; which was well within the targets for the year. Alongside these interventions, the Group reinforced its data security assets to safeguard and protect customer data, which is critical in enhancing trust and solidifying the brand reputation.

To give customers more convenience, we implemented more than 31 inter-party integrations comprising government and private institutions, creating a more robust digital payments ecosystem giving our customers more power to transact.

Operational Efficiency

Achieving operational excellence remains central to our quest to build a bank of the future. During the 2021 FY, we continued to automate internal processes to enhance efficiency, both for our internal and external customers. As a result of concerted automation efforts, 2021 was the first year within which the Group completed all operational projects. A key highlight during the year was the successful relocation of its head office from Nnamdi Azikiwe avenue to Ali Hassan Mwinyi Road in Dar es Salaam, without any service interruptions. This achievement is consistent with the Group's quest to reduce its carbon footprint on the use of paper and accelerate the adoption of a paperless work environment.

Our journey to achieve ICT maturity reached a significant milestone in 2021 with the commissioning of a modern disaster recovery centre. The Group successfully tested operations at a new disaster recovery site, signalling new dawn in the Group's ICT capabilities in terms of disaster preparedness and business continuity. Still, on the subject of business continuity, the Group successfully held multiple crisis management meetings, safety and emergency evacuation drills in all facilities, including the new head office. The Group also conducted call tree testing and pieces of training for the Occupational Health and Safety Administration (OSHA).

In terms of improving compliance, the Group made tremendous gains in putting in place systems to ensure optimal compliance, both to the internal statutes and the regulatory requirements, thereby minimising associated risks. As a result, the group closed the highest number of compliance items as you will discover in the risk report in the later pages of this annual report.

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. Appreciating the challenges posed by the pandemic, we continued to implement the NPL containment strategy and streamline credit processes, especially monitoring and recoveries.

As a result of the interventions; the Group closed the year strongly; achieving an NPL of 3.3%, against a regulatory requirement of 5.0%. Our success was primarily driven by a robust NPL containment strategy, which focused on two areas: delinquency management and recoveries; and efficient management of charged-off loans.

In line with the Group's digitization program, we continued to automate our processes to drive efficiency and improve the employee experience. A success story during the year was the full roll-out of a new credit management platform, namely Credit Pro; which enhanced efficiency in the credit management for SMEs, MSEs, and Agri loans.

Workflow automation has had a significant impact on our business - with notable improvements in the turnaround time in the processing of business loans (SMEs, MSEs and Agri loans), which has reduced from 30 days (for new customers) to 14 days. The duration for existing customers has been reduced to seven (7) days, from the previous two weeks. There's also enhanced visibility with real-time status on the loan applications. The automation has also improved the quality of credit appraisals through integration with Credit Reference Bureaus. We continue to cleanse our data.

People

CRDB Bank Group believes that to become an HPO, it must take good care of its employees and invest in genuine efforts to make their lives worth living. In addition to providing a conducive work environment, the Group continued to invest in wellness programs, including mental health awareness, counselling and sports. The latter had proved to be a huge success, especially in driving employee motivation and enhancing interpersonal relations resulting in synergies and collaboration.

During the year, we completed reviewing the Collective Bargaining Agreement (CBA) with the Tanzania Union of Industrial and Commercial Workers (TUICO) as part of consensus-building around employee welfare in the content of the changing business environment. The Group will continue to engage with the employee union to maintain healthy relationships and foster mutually beneficial partnerships.

Our medium-term strategy recognizes leadership as one of the enablers of growth, hence the focus during the penultimate year of the strategy's implementation. The bank mooted elaborate leadership training programs, leveraging strategic partnerships with some of the leading institutions to equip our leaders with the necessary skills to manage our human capital.

The bank's partnership with the International Finance Corporation's women empowerment program (IFC-100) also enabled the Group to train more than 100 women on leadership. The training was part of the Group's strategy to empower women into leadership roles, in line with our diversity ambitions.


SUSTAINABILITY REPORT

Ms. Ramla Msuya
Senior Manager, Sustainable Projects

SUSTAINABILITY REPORT

Our Group understands its critical role in climate action; climate change is already having an impact on our region in terms of more extreme weather, desertification, and pollution, as it is in other parts of the world. We have committed to playing an active role in mitigating the impact of climate change and integrated climate action as part of our long-term strategy. Being a Direct Access Accredited entity by GCF, we have an elaborate green financing program, targeting investment projects that integrate environmental sustainability
.

In all of our investments, operations, and product design, including the lending process, the CRDB Bank Group is committed to fostering sustainable development. Environmental and social sustainability are critical components of attaining our goals, and they are in line with our long-term growth strategy. Projects that promote environmental and social sustainability receive precedence under our credit strategy. The Group invests in projects and enterprises with a defined plan for responsibly managing social and environmental resources. The Bank is committed to becoming a sustainability leader in the area, with a long-term commitment to climate action, in order to ensure a sustainable and inclusive economy. Our social investment strategy focuses on enabling social transformation and impacting the lives of people at all levels of society, especially vulnerable groups in poverty and global communities.

Green initiatives and climate financing

The United Nations' Green Climate Fund (GCF) is a new financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) based in South Korea. It functions by transferring funds from developed to developing countries to mitigate greenhouse gas emissions and adapt to the impacts of climate change. The Green Climate Fund (GCF) is a new financial vehicle for the United Nations Framework Convention on Climate Change (UNFCCC) based in South Korea. It operates by redistributing resources from wealthy to poor countries in order to cut greenhouse gas emissions and adapt to the repercussions of climate change. Since its accreditation in October 2019, CRDB Bank, has been working with partners to identify and support climate resilient projects in the country, being the first the first commercial bank in East and Central Africa to be authorized by the GCF. The accreditation allows the Group to use a variety of financial instruments to achieve its goals, including concessional loans, guarantees, and equity of up to USD 250 million per project or program. So far, the fund has received almost USD 10 billion in pledges.

During the 2021 financial year, CRDB Bank Group presented its first program to the GCF, "the Agricultural Climate Adaptation Technology Deployment Programme (TACATDP)," with the goal of modernizing the agricultural sector and assuring long-term adaptation capacity. The GCF Board on Oct 7 2021 approved the proposal to enable CRDB Bank to establish a USD 200 million facility.

Through the TACATDP programme, the Bank has secured a USD100 million facility from the Green Climate Fund (GCF) to finance climate resilient and adaptation of the agriculture sector in Tanzania. The facility includes a USD 10 million guarantee, USD 10 million credit-enhancement facility and an additional USD 10 million for an insurance scheme for the benefiting farmers. The funded activity approved by the GCF Board on Oct 7 will enable CRDB Bank to establish a USD 200 million facility. The facility is dedicated to support climate adaptation technology and practices deployment by CRDB Bank to support smallholder farmers as part of its broad strategy to drive sustainability. Under the Tanzania Agriculture Climate Adaptation Technology Deployment Program (TACADTP), CRDB Bank targets to empower smallholder farmers in rural Tanzania to improve their incomes and sustain livelihoods through agricultural activities by providing affordable credit.

Environmental and Social Safeguards

The Group has robust Environmental and Social Management Systems (ESMS) with a set of policies, procedures, tools, and a dedicated unit to ensure correct implementation to ensure effective environmental and social management. Our operational and credit management processes are also connected with the ESMS. We have a dedicated unit called the Sustainable Finance Unit (SFU) that is in charge of innovating and formulating transformative ideas that will lead to the implementation of climate action projects based on the Group's environmental and social policies and procedures, as well as adhering to international treaties, such as the implementation of Environmental and Social Management Systems (ESMS).

The Group is devoted to sound, long-term projects and enterprises that appropriately manage their social and environmental implications. Based on the Tanzanian Environmental Management Act of 2004 and its EIA & Audit regulations of 2005, we undertake impartial environmental and social impact assessments (ESIA) (and its revised EIA and Audit-amend Regulation 2018). Further evaluation is carried out in accordance with internationally accepted best practices, particularly the IFC Performance Standards (1–8) in analyzing crosscutting and cross-sectoral environmental and social impact assessments.

Occupational Health, Safety and Security

The Bank's Corporate Security and Business Continuity Management (CS&BCMs) department is responsible for implementing business continuity management policies, standards, and principles that are endorsed by Senior Management to ensure compliance with regulatory and legal requirements for BCM. CS&BCM is in charge of overseeing all of the Bank's internal security, occupational health and safety, and responding to risks such as natural catastrophes or data breaches, to ensuring that vital functions are maintained and everyday business operations are carried out to the best of our ability.

Aligning Group actvities with SDGs

Through our banking products, processes, and loan investment goals, CRDB Bank is attempting to take concrete actions to reduce carbon emissions. To promote climate change resilience and an equitable economy, the bank is investing in environmental sustainability best practices. Many of the Sustainable Development Goals (SDGs), the globally agreed-upon path to tackling global concerns, are aligned with our work.

COP26

As the only GCF recognized entity and the National Direct Access Entity, CRDB Bank collaborated with the Vice President Office (VPO) Division of Environment to represent Financial Institutions at COP26 in Glasgow.

Participation in the development of the National Climate Change Strategy (2021-2026)

As Tanzania's only GCF Direct Access Accredited organization, the CRDB Bank contributed significantly to the environmental and climate change documents. The banks were fully involved in the development and finalization of the National Climate Change Strategy 2021–2026, which aimed to enable Tanzania to effectively adapt to climate change and participate in global efforts to mitigate climate change in order to achieve sustainable development in line with the Tanzania Development Vision 2025, the Five-Year National Development Plan, and national sectoral priority innervations.

1 NO POVERTY

In 2021, the CRDB Bank set aside TZS 144 billion for financial inclusion and support to micro lenders, which includes Consumer Loans of 2,145 billion (2 trillion), Individual Consumer Loans of TZS 10 billion, and support to other services activities of TZS 10 billion to ensure In Tanzania, all types of poverty eradicated.

2 ZERO HUNGER

The Agriculture Business Value Chain received TZS 647 billion from the CRDB Bank in 2021 to assist efforts to reduce hunger, achieve food security and enhanced nutrition, and promote sustainable agriculture. The Bank also pledged to set aside TZS 100 million, which will be co-financed with the Green Climate Fund for a total of TZS 200 million in Adaptation Resilient Agriculture (ARA) funding to Tanzanian smallholders over the next 20 years.

3 GOOD HEALTH AND WELL-BEING

CRDB Bank Financed Health Services TZS 35.5 Billion to ensure healthy lives and promote well-being for people of all ages.

4 QUALITY EDUCATION

CRDB Bank has invested TZS 132 billion in education at all levels across the country.

5 GENDER EQUALITY

To achieve gender equality and empower all women and girls, the Bank established unique financial products for business and women financial inclusion, including a special inexpensive account called Malkia Account, where women could set up a savings plan and borrow money from their savings at a low rate. As taken from the GCF Gender Policy for Adaptation and Mitigation Funding Arrangement, gender mainstreaming and action plans for green financing are critical. CRDB Bank's SHE initiatives aim to ensure women's participation and create capacity among its employees at all levels for gender equality in cooperative governance.

6 CLEAN WATER AND SANITATION

The CRDB Bank has allocated TZS 9.55 billion to public and commercial initiatives aimed at ensuring cheap, clean, and safe water and sanitation, as well as long-term water and sanitation management in Tanzania and the shared regional ecosystem.

7 AFFORDABLE AND CLEAN ENERGY

The Bank financed TZS 32 billion on clean energy generation, transmission, and distribution to ensure that everyone in Tanzania, rural and urban, has access to affordable, dependable, sustainable, and modern electricity.

CRDB Bank sponsored the National Environment Week, which took place in Dodoma from May 29 to June 6, 2021.

"CRDB is a contestant in the National Campaign for Environment and Cleanness in the Financial Sector category."

The globe celebrates World Environment Day every year on June 5th. Tanzania, like many other nations, takes part in the festivities for the entire week, which runs from June 1 to 5. "Ecosystem Restoration" was the theme for World Environment Day in 2021. The bank funded the whole cost of the celebrations, which totaled Tanzanian Shillings 32 million.

INTEGRATING ESG PRINCIPLES IN OUR STRATEGY

The transition to a low carbon, sustainable and equitable future presents a transformative opportunity for our Group. We are building essential capabilities to integrate sustainability considerations in portfolio management and decision-making. We are keen on being able to identify long-term risk and return impacts and maximize sustainable investing value.

Our strategic ESG intents are illustrated on page 36.

We financed Manufacturing Tzs 329.8 Bn in building resilient infrastructure, promoting inclusive and sustainable industrialization, and fostering innovation in 2021 as part of the CRDB Bank's commitment to the Tanzania Industrialization Manifesto, which is sustainable and inclusive from small to corporate level.

In making our Tanzanian cities and towns more inclusive, safe, resilient, and long lasting. Bank-financed real estate totaled 137.5 billion dollars, with mortgage refinancing and affordable housing loans totaling Tzs 194 billion dollars.

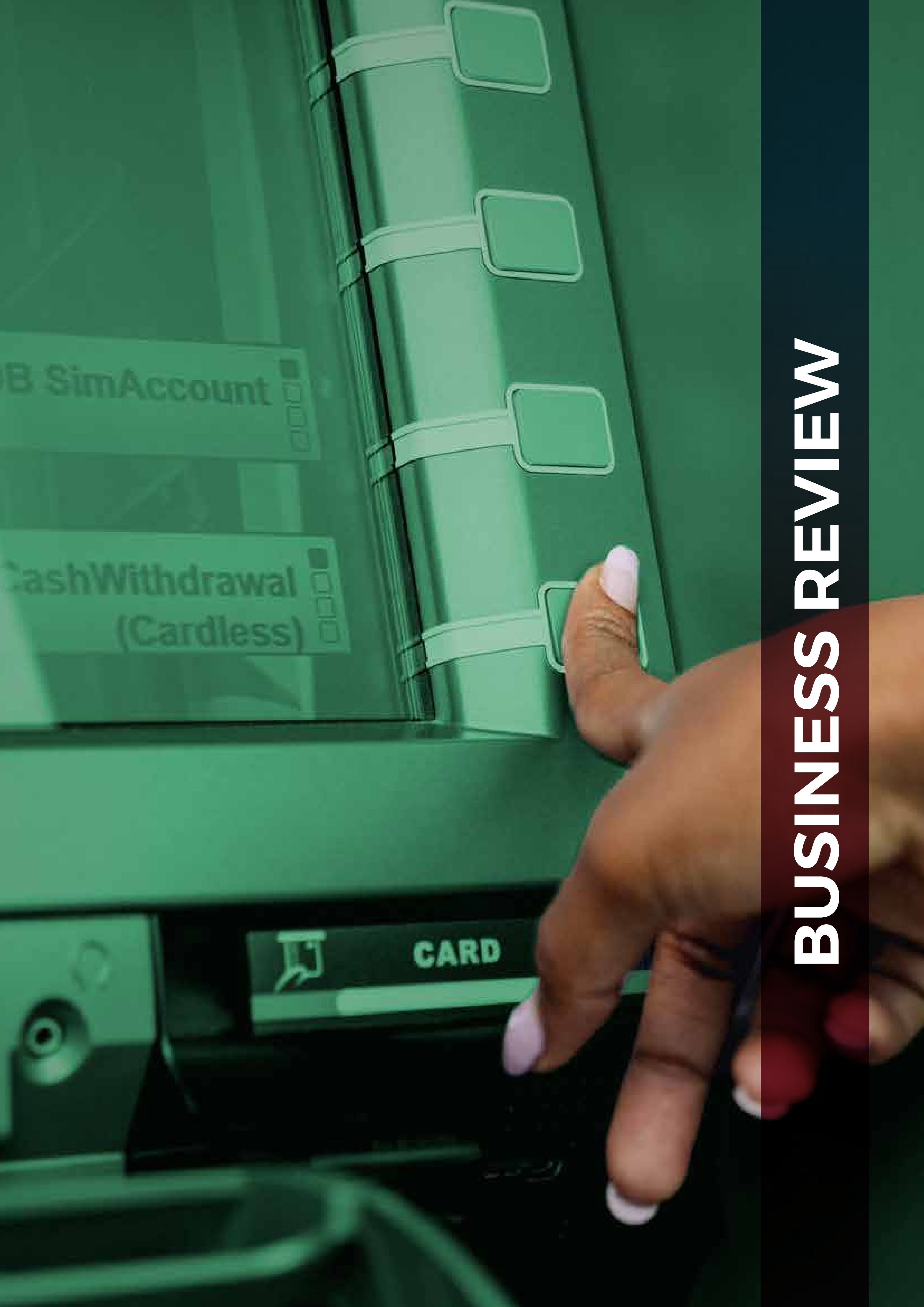
The CRDB bank is committed to being responsible and taking action to address climate change and its consequences. To ensure that our investors and the project activities we support are climate change and environmental best practice responsive and sustainable, the bank incorporated sustainability assessment into its investment and credit processes. Through GCF arrangements, the Bank will finance and assist low-emission projects and activities that will aid in climate change adaptation.

CRDB Bank finances blue economy initiatives that are properly considered for sustainability, such as various financing to fishing and its business value chain, with Tzs 2.65 billion designated in 2021 for sustainable fishing and sound use of the oceans, seas, and marine resources for sustainable development.

In 2022, the CRDB Bank will invest 44.64 billion in the conservation and eco-tourism value chain, which will also assist the forest value chain. Forest (Sustainable Forest) usage of 2.6 billion dollars to ensure the protection, restoration, and promotion of sustainable use of terrestrial ecosystems, manage forests sustainably, prevent desertification, and halt and reverse land degradation and biodiversity loss.

Since 2019, CRDB Bank has been the first commercial bank in East and Central Africa to be authorized by the Green Climate Fund GCF, ensuring that we can mobilize funds for climate change adaptation and mitigation projects as Tanzania's National Direct Access (DAE) institution. The bank committed to set aside enough funds up to USD 100mn to de-risk the agriculture sector, which employs more than 75 percent of Tanzanians, through the Tanzania Agriculture Climate Adaptation Technology Deployment Programme (TACATDP) and Agriculture Resilient Adaptation (ARA) programs with GCF for USD 200 million to be implemented starting in 2021.

Note: Figures in Chart above (SDGs) extracted from 2021 December Loan list report



BUSINESS REVIEW

Group Chairman's Statement

The last two years have taught us a lot in terms of building resilient enterprises that can withstand significant disruptions. Since the global health crisis started in early 2020, the world has continued to adapt to the changes, while doing what's necessary to protect lives and economies. As a Group, we remain committed to playing our part in mitigating the impact of the pandemic on our people and the economies of the countries we operate in. The reality of disruptions such as the COVID-19 pandemic is their inherent nature to reshape our thinking and push us to innovate to survive or remain relevant.

The 2021 financial year came with its fair share of challenges, with economies reeling from the shocks of the preceding year. Our Group remained resilient, benefitting from the strong foundation laid over the past three years. Our people continued to be our strongest pillar, providing the fuel that propelled our machine to the success being reported to you.

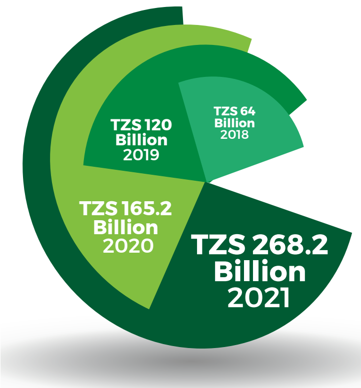
It is against this background that I, with great humility and profound gratitude, present to you the Group Annual Report and Financial Statements for the year ended December 31, 2021. I am proud that amidst the challenges experienced during the year, our Group delivered a remarkable performance with a 62.3% growth in Profit After Tax (PAT) to TZS 268.2 billion from TZS 165.2 billion reported in 2020. This is the highest profit that we have reported in the 25 years that we have been in business and underscores our Group's potential and versatility as a viable investment. .

Reflecting on our operating environment

The economic landscape was largely stable, fuelled by a gradual recovery in the global economy and a return to normalcy, after radical interventions to fight COVID-19. However, the Tanzania market was confronted with a national tragedy in the first quarter of 2021 with the passing of the Head of State, the late President, Dr John Pombe Magufuli, who succumbed to heart complications on March 17. The President's passing created some level of anxiety, albeit momentarily. The peaceful political transition that followed with the ascension to power by Her Excellency President Samia Suluhu Hassan, restored calm and stabilised the country for the remainder of the year. A shift in the foreign policy of the new administration, under President Samia Suluhu, restored investor confidence, accelerating growth, especially in the third and fourth quarters.

Real Gross Domestic Product (GDP) grew at 5.5%, buoyed by improved performance of the tourism sector and the reopening of trade corridors. Economists forecast GDP to expand 5.7% in 2022 and 5.9% in 2023.

The government's decision to continue investing in large construction projects, most of which were started under the previous administration, continued to bolster spending, sustaining employment levels. During the year, exports grew steadily, benefitting from healthier trade dynamics. Goods import growth continued to increase in the year, signalling healthier domestic demand at the outset of the fourth quarter.



PAT Growth in TZS Billion over the last four years

In a good turn of events mid-November, the IMF approved and disbursed two-thirds of the country's Special Drawing Rights quota - around USD 372 million - in emergency financial assistance to enable the implementation of its Covid-19 relief plans.

There was growth in broad money supply (M3), and credit to the private sector owing to a surge in business activities resulting from a conducive business environment. M3 grew at an annual rate of 14.7% in December 2021, compared to 5.6% in the corresponding period in 2020. Credit extended to the private sector grew at an annual rate of 7.8% in December 2021 compared with 3.0% in the corresponding period 2020. The country reported moderate headline inflation, which averaged at 3.2%, compared to 3.3% reported in 2020. The stable inflation was attributed to the stable exchange rate, prudent fiscal and conducive monetary policies, which partially reduced the impact of high oil prices.

In April 2021, the government issued a debut 25-year bond and the country's first Islamic bond Sukuk. Both bonds were oversubscribed, signalling a preference for long term investments and a growing appetite for Sharia-compliant products. The oversubscription also reflected an adequate supply of liquidity in the economy and investors' preferences for government securities. The preferences were partly attributed to uncertainties surrounding other investment avenues, amid the negative effects of the COVID-19 on some businesses and investment. Consequently, money and capital markets rates eased compared to the preceding year.

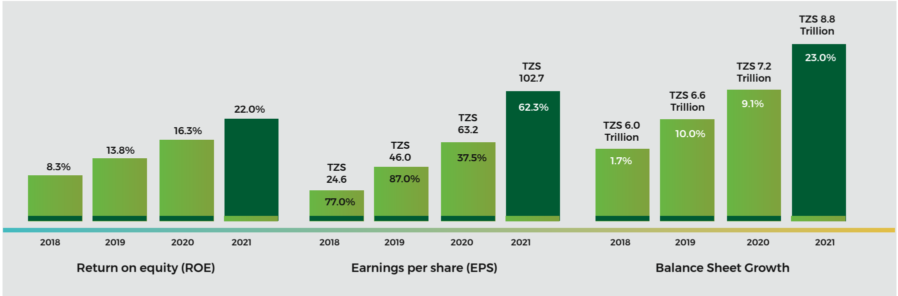
The banking sector continued to maintain adequate liquidity levels well above the minimum regulatory requirement of 20%; the amount was sufficient to meet maturing obligations and fund growth in assets. On the other hand, the Bank of Tanzania (BOT) continued to tighten supervision of the sector, particularly on NPL containment and cost of operations. During the first quarter of the year, the regulator issued a directive requiring banks to maintain a cost-to-income ratio (CIR) of not more than fifty-five per cent (55%) over a rolling period of twelve months.

Review of the Group's financial performance

Looking at the Group's performance indicators, I am satisfied that we are on the right path towards sustainability. As you already know, 2021 was the penultimate year of our five-year strategy, which continues to deliver strong results since its inception.

I am glad that the management team has been consistent in implementing initiatives prescribed by the strategy, and have been dynamic enough to steer our Group through a challenging period. The transformation initiatives being undertaken have also had a huge impact on the Group's operations, and I must thank the entire team, especially our staff for being steadfast in growing our company.

The medium-term strategy has three pillars, namely: fixing the existing machine, building a bank of the future and, addressing enablers. Fixing the existing machine presupposes reengineering our operations to ensure the business is profitable in a sustainable mannner. This was the starting point in terms of intervention that would lay foundations



for implementing transformative initiatives to optimize service delivery and accelerate growth. The final phase involves building capabilities for efficient operations and sustainable growth. It is exciting to report that our own analysis has retruned a satisfactory score in the achievement of the strategy.

As you will learn in the financial statements published in this Annual Report, our Group delivered a robust financial performance, with key indicators showing sustained growth throughout the year. We achieved a strong balance sheet growth of 23% to reach TZS 8.8 trillion from TZS 7.1 trillion in 2020. Return on Equity (ROE) grew from 16.3% in 2020 to 22.0% in 2021, while Earnings Per Share (EPS) increased by 62.3% to TZS 102.7, up from TZS 63.2 reported in 2020.

Our Burundi operations continue to contribute positively to our business, further reinforcing the Group's ambition to expand into the region. The subsidiary posted a TZS 12.8 billion profit accounting for 4.8% of the Group's profit. Our plans to enter the Democratic Republic of Congo remain on course and we expect to launch operations within the second quarter of 2022.

Return on Equity (ROE

22.0%

Grew by 62.3% from 16.3% reported in 2020

Earnings Per Share (EPS)

TZS 102.7

Grew by 62.3% from TZS 63.2 reported in 2020

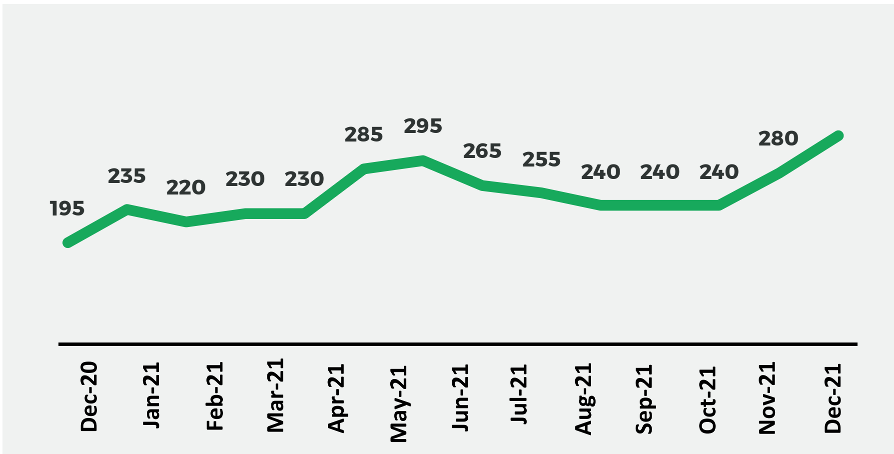
The sustained performance, alongside the transformation initiatives being undertaken, continue to inspire confidence among investors. During the year, our share remained liquid with good trading volumes and an average price of TZS 250.

We have a long-standing commitment to deliver value to shareholders, and this demands that we achieve optimal financial performance. We continue to leverage opportunities in the market including financial inclusion to drive the sustainability of our Group. .

Diversifying our investments

As a Group, our sustainability is pegged on the ability to make the right investment decisions. The Group has an ambitious regional expansion strategy, targeting the larger East and Central African region. We want to be an orchestrator of innovations that will shape the financial ecosystem in the coming years. The new markets, with a combined population of more than 500 million, provide diverse challenges and needs that we want to develop solutions for. The success of our Burundi subsidiary, especially in bolstering bilateral trade, continues to influence our immediate frontiers in terms of expansion.

Following the last update on our expansion into the Democratic Republic of Congo (DRC), I am happy to report to you that we have made significant progress in obtaining the necessary licences and approvals from the authorities, both at home and in DRC. We expect to commence operations within the second half of the 2022 financial year.



Share price trend during the year

Still on sustainability, our Group - having been the first commercial entity in the region to be accredited by the United Nations Green Climate Fund in 2019 - shattered the glass ceiling yet again, by becoming the first Direct Access Entity (DAE) to receive approval for project funding of USD 100 Million. The Group submitted a proposal for Tanzania Agriculture Climate Adaptation and Technology Deployment Program (TACTDP), which focuses on supporting sustainable agriculture and promoting climate resilience projects in the country. The project will go a long way in augmenting our efforts to support the agriculture value chain.

Our investments along the agriculture value chain speak to our heritage as a corporative rural development bank in our formative years. I am glad that financial investments in the Kilimanjaro Cooperative Bank Limited (KCBL) and Tandahimba Community Bank Plc (TCB) continue to show good prospects. More importantly, we continue to uplift farmers in the Northern and Southern zones, through access to finance vide these investments.

Strengthening governance and oversight

Coming from the COVID-19 crisis, we have learned that good corporate governance plays a crucial role in supporting the recovery of our economies. As a Group, we are committed to upholding good governance principles as a sustainability strategy. We strongly believe that organisations that uphold good governance create dynamism in the business sector, and make the business environment competitive and resilient to possible future shocks, including through more effective management of environmental, social and governance risks. We strive to keep a diverse Board with varied professional experience to help steer our Group into success.

As a Group, we believe that in the new reality of the post-COVID world, environmental, social and governance (ESG) will increasingly become central to the economic equation.

We recognize that moving towards a low-carbon economy will likely create additional complexities for the financial services industry and, therefore, we are in the process of developing an ESG framework to accelerate its adoption. The framework will explore the types of prudential and conduct risks that could arise - both in terms of the direct risks (such as the physical impact of climate change on assets), and the transition risks.

Board changes

During the year, the Group received new members of the Board:- Mr. Gerald Kasato, who replaced Ms. Rose Metta, representing shareholders owning between 1 -10% of shares and Mr. Royal Lyanga who replaced Ms. Ellen Gervas Rwijage as a representative of the DANIDA Investment Fund (DIF). Both Gerald and Royal bring a wealth of experience in investment management and strategic planning, respectively.

I wish to, on behalf of my colleagues on the board and the entire family of CRDB Bank, welcome the new members and heartily thank both Ms. Ellen Rwijage and Ms Rose Metta for their invaluable contribution during their tenure. We remain grateful to the outgoing directors for the support they have given us and wish them well in their future endeavours.

Management update

During the year, our long-serving Chief Commercial Officer (CCO) Dr. Joseph Witts attained his retirement age and was earmarked to proceed to retirement in December 2021. However, the Board opted to extend his contract for six (6) months to allow for completion of the recruitment exercise, which will be finalised within the first quarter of 2022. The recruitment exercise has considered both internal and external candidates.

After a rigorous competitive recruitment exercise, the Board appointed Ms. Jessica Nyachiro to head the Democratic Republic of Congo (DRC) operations. Until her appointment, Ms. Nyachiro was Head of Strategy and Investor Relations. She has been with the bank for over 15 years and has demonstrated versatility and a deep understanding of our Group's ambitions and aspirations. I do not doubt that she is the right fit for this role and, I congratulate her on this deserved appointment.

Going into 2022, the Board will continue to engage with the management team to ensure optimal delivery on strategy. I am glad that the engagements undertaken in 2021 have yielded positive results as evidenced by the robust financial performance reported. A key achievement was the regularisation of the costs of operations leading to an improved cost-to-income ratio.

Social Investments

Our Group draws inspiration and satisfaction in supporting impactful causes in the markets we operate. We focus on projects that are transformative and endeavor to work with partners to ensure greater impact. Our policy commits 1% of our net profit towards Corporate Social Investments (CSI) causes within our four pillars namely: Health & Wellness, Education, Health, and Youth & Sports.

During the year, we continued with our efforts to streamline our social investments with a focus on developing the necessary capabilities to run a foundation. Consolidating the charitable activities of the corporation under the umbrella of a foundation will ensure accountability for the strategic philanthropic goals. Under the foundation, the success of the charitable activities will be strategic, tracked and measured.

Looking ahead

As we begin the final year of our five-year strategy, we have a clear vision to grow our business, leveraging technology to take advantage of emerging opportunities. We have made tremendous achievements in readying our machine for sustainable growth and we intend to build on the strengths we have as a Group and prop up the weak points. The COVID 19 pandemic, besides accelerating our digital transformation journey, has also underscored the need for dynamism and high adaptability.

In the face of a constantly shifting business landscape, our focus is empowering our people with the knowledge and tools they require to provide consistent services that will ensure satisfaction for our customers. The Board is particular on employee wellness, especially in the context of the challenges in the work environment, and has sanctioned the adoption of Employee Experience Management (EXM) as part of our sustainability strategy to build a High-Performance Organisation.

Dividend recommendation

The Board remains alert to the reality and needs to balance the optimization of shareholder value and re-investment of funds in the business for future growth. Consequently, it has recommended a dividend of TZS 36 per share for the year ended 31 December 2021, subject to approval by shareholders during the Annual General Meeting (AGM).

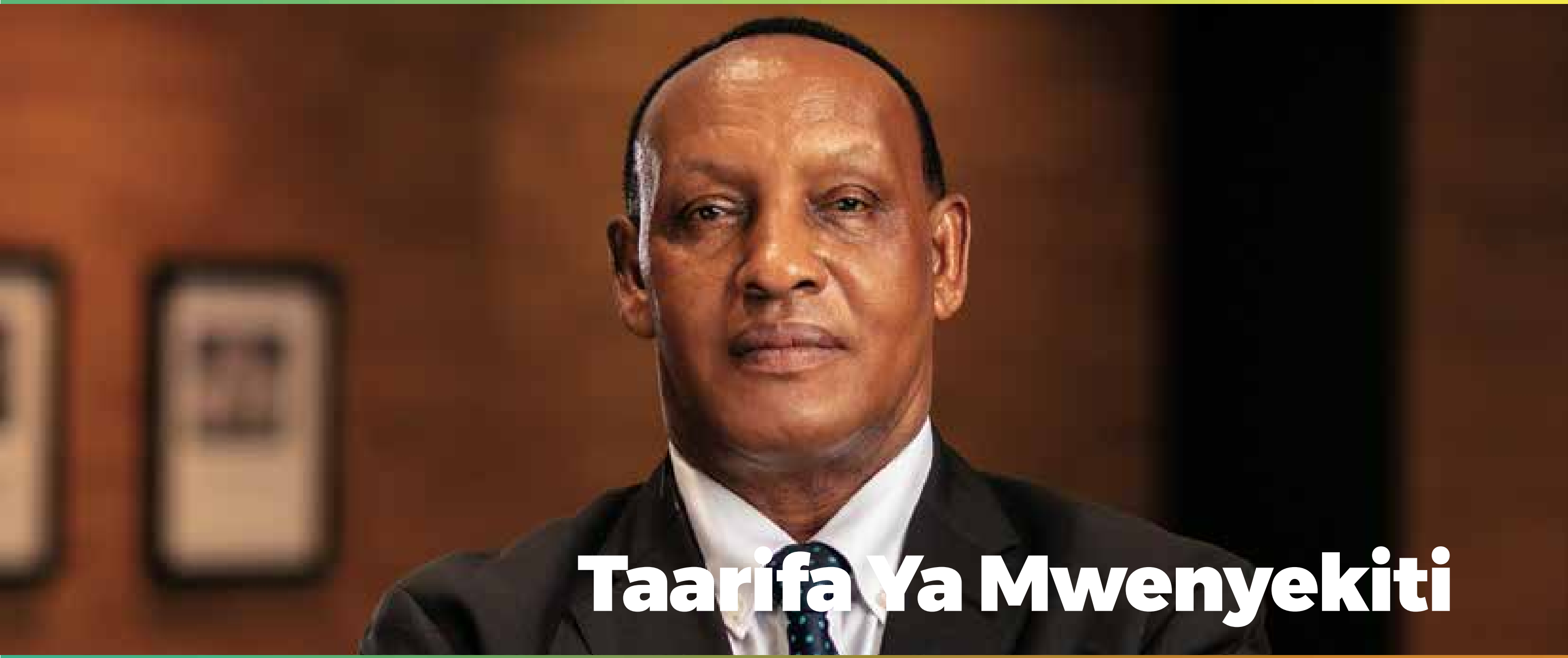
Acknowledgements

Without a doubt, our Group is a big beneficiary of our society's goodwill. The Board appreciates the support given by our stakeholders, starting with our customers, who have trusted us to serve them. We are indebted to our shareholders who have allowed us to work for them by safeguarding and managing their hard-earned investments.

The successes we have outlined in this report would not be possible without the dedicated team of staff. We are lucky as a Group to have such a dynamic workforce that is self-driven and resilient. We are eternally grateful. Equal gratitude goes to the management team, who despite the challenges, have continued to guide the team in staying on the course to deliver the results that we now have.

Last but not least, I acknowledge our regulator, the Bank of Tanzania, the sixth phase of the Tanzanian government under Her Excellency President Samia Suluhu Hassan for the support, especially to the financial services sector and particularly the banking industry. We have benefitted from the conducive business environment created by the government and we are hopeful that we will continue to thrive under the leadership. Similar acknowledgements go to our system associates including partners and service providers.

Dr Ally Hussein Laay,
Group Chairman



Taarifa Ya Mwenyekiti

Miaka miwili iliyopita imetufundisha mengi kuhusu ujenzi wa makampuni ya biashara yenye uwezo wa kustahimili changamoto zisizotarajiwa. Tangu janga la kimataifa la UVIKO-19 lianze mapema 2020, ulimwengu umeendelea kwenda sawa na mabadiliko yaliyojitokeza, huku ukifanya kile kinachohitajika kulinda maisha ya watu na uchumi. Benki ya CRDB na kampuni zake tanzu, tumeendelea kujitoa katika kutekeleza jukumu letu la kupunguza athari za janga hili kwa wateja wetu na uchumi wa nchi tunazofanya biashara. Ukweli ni kuwa changamoto zisizotarajiwa kama vile janga la UVIKO-19 hutoa fursa upya fikra zetu na kutusukuma kufanya uvumbuzi ili kuendelea kubaki washidani sokoni au kustawi.

Mwaka wa fedha wa 2021 ulikuja na changamoto zake nyingi, huku uchumi ukiyumba kutokana na misukosuko ya mwaka uliotangulia. Benki ya CRDB na kampuni zake tanzu iliendelea kuwastahimilivu, ikinufaika na msingi imara uliowekwa katika kipindi cha miaka mitatu iliyopita. Watu wetu waliendelea kuwa nguzo yetu imara wakiwa chachu ya mafanikio ambayo yanaripotiwa kwenu.

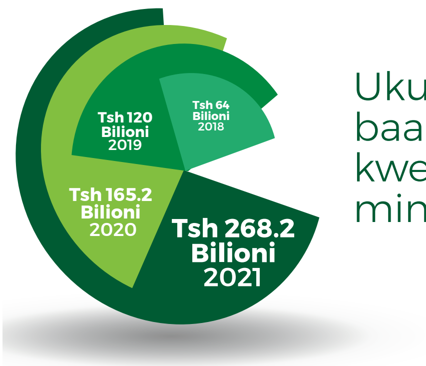
Ni kutokana na hali hii kwamba mimi, kwa unyenyekevu mkubwa na shukrani nyingi, ninawasilisha kwenu Ripoti ya Mwaka na Taarifa za Fedha za Benki ya CRDB na kampuni zake tanzu kwa mwaka ulioishia tarehe 31 Desemba 2021. Ninajivunia kwamba katikati ya changamoto zilizojitokeza katika mwaka huu, Benki ya CRDB na kampuni zake tanzu zilikua na utendaji uliotukuka tukirekodi ukuaji wa 62.3% wa Faida Baada ya Kodi (PAT) hadi kufikia Sh. 268.2 bilioni kutoka Sh. 165.2 bilioni iliyoripotiwa mwaka 2020. Hii ndiyo faida kubwa zaidi ambayo tumewahi kuripoti katika miaka 25 ambayo tumekuwa katika biashara na inaonyesha uwezo wetu na nguvu yetu ya kuendana na mabadiliko ya biashara kama nguzo muhimu katika uwekezaji.

Tathmini ya Mazingira yetu ya Uendeshaji

Mazingira ya kiuchumi yalikuwa shwari kwa kiasi kikubwa, yakichochewa na kuimarika taratibu kwa uchumi wa dunia na kurejea katika hali ya kawaida, baada ya hatua kali za kupambana na UVIKO-19. Hata hivyo, soko la Tanzania lilikumbwa na janga la kitaifa katika robo ya kwanza ya 2021 kwa kuondokewa na Mkuu wa Nchi, Hayati Rais, Dkt. John Pombe Magufuli, ambaye alifariki kwa matatizo ya moyo Machi 17. Kifo cha Rais kiliibua hali ya sintofahamu, ambayo hata hivyo ilidumu kwa muda mfupi. Mabadiliko ya amani ya kisiasa yaliyofuata kwa kuingia madarakani Mheshimiwa Rais Samia Suluhu Hassan, yalirejesha utulivu na kuiimarisha nchi kwa muda uliosalia wa mwaka. Mabadiliko ya sera za mambo ya nje ya utawala mpya chini ya Rais Samia Suluhu, yamerejesha imani ya wawekezaji, na hivyo kuongeza kasi ya ukuaji wa uchumi hasa katika robo ya tatu na nne.

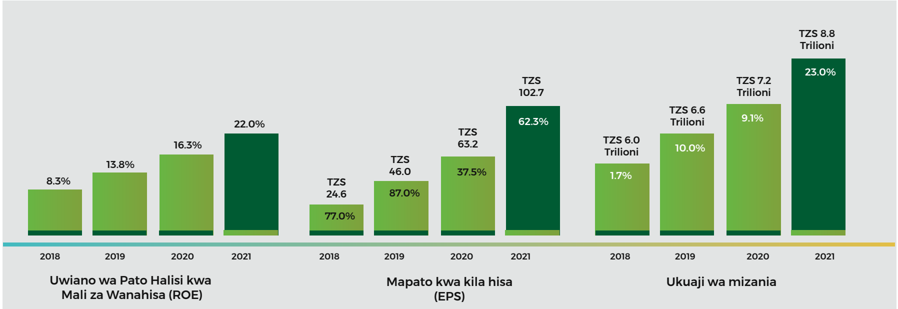
Pato Halisi la Ndani (GDP) lilikua kwa 5.5%, likichochewa na kuboreshwa kwa utendaji wa sekta ya utalii na kufunguliwa tena kwa milango ya biashara. Wanauchumi wanatabiri Pato la Taifa kukua kwa 5.7% mwaka wa 2022 na 5.9% katika 2023.

Uamuzi wa serikali wa kuendelea kuwekeza katika miradi mikubwa ya ujenzi, ambayo mingi ilianzishwa chini ya utawala uliopita, uliendelea kuimarisha matumizi na kuendeleza viwango vya upatikanaji wa ajira. Katika mwaka huo, mauzo ya nje yalikua kwa kasi, yakifaidika kutokana na mienendo mizuri ya biashara Ukuaji wa uagizaji wa bidhaa za nje uliendelea kuongezeka mwaka huu, ikiashiria mahitaji ya kutosha ya ndani mwanzoni mwa robo ya nne.



Ukuaji wa faida baada ya ushuru kwenye miaka minne iliyopita

Katika muendelezo wa matukio mazuri ya mwaka,katikati ya mwezi wa Novemba, IMF iliidhinisha na kutoa msaada wa takribani dola milioni 372 - kama sehemu tausaidizi wa dharura wa kifedha ili kuwezesha utekelezaji wa mipango ya kupunguza madhara ya kiuchumi yatokanayo na janga la UVIKO-19.



Kulikuwa na ukuaji wa upatikanaji wa fedha katika mzunguko (M3), na mikopo kwa sekta binafsi kuliko sababisha kuongezeka kwa shughuli za biashara kutokana na mazingira mazuri ya biashara. M3 ilikua kwa kiwango cha mwaka cha 14.7% mnamo Disemba 2021, ikilinganishwa na 5.6% katika kipindi sawia mwaka wa 2020. Mikopo iliyotolewa kwa sekta binafsi ilikua kwa kiwango cha mwaka cha 7.8% mnamo Disemba 2021 ikilinganishwa na 3.0% katika kipindi sawia 2020. Nchi iliripoti mfumuko wa bei wa wastani, ambao ulikuwa wastani wa 3.2%, ikilinganishwa na asilimia 3.3% iliyoripotiwa mwaka wa 2020. Kiwango kidogo cha kukua kwa mfumuko wa bei kilichangiwa na uimara wa shilingi, na sera madhubuti za fedha ambazo zilipunguza kwa kiasi athari za bei ya juu ya mafuta.

Mnamo Aprili 2021, serikali ilitoa bondi ya kwanza ya miaka 25 na bondi ya kwanza ya Kiislamu nchini Sukuk. Dhamana zote mbili zilisajiliwa kupita kiasi, hivyo kuashiria mahitaji ya uwekezaji wa muda mrefu na sambamba na bidhaa zinazofata misingi ya Sharia. Usajili wa ziada pia ulionyesha uwepo wa kutosha wa ukwasi katika uchumi na matakwa ya wawekezaji kwa dhamana za serikali. Mahitaji hayo kwa kiasi fulani yalichangiwa na kutokuwa na uhakika kuhusu njia nyingine za uwekezaji, huku kukiwa na athari mbaya za COVID-19 kwa baadhi ya biashara na uwekezaji. Kutokana na hilo, viwango vya fedha na soko la mitaji vilipungua ikilinganishwa na mwaka uliopita.

Sekta ya benki iliendelea kudumisha viwango vya kutosha vya ukwasi juu ya mahitaji ya chini yanayotakiwa na mdhibiti wa sekta ambayo ni 20.0%; kiasi hicho kilitosha kukidhi mahitaji ya wakati huo na kufadhili ukuaji wa mali. Kwa upande mwingine, Benki Kuu ya Tanzania (BOT) iliendelea kuongeza usimamizi wa sekta hii, hasa katika udhibiti wa mikopo chechefu (NPL) na gharama za uendeshaji. Katika robo ya kwanza ya mwaka, mdhibiti alitoa agizo lililozitaka benki kudumisha uwiano wa gharama kwa mapato (CIR) usiozidi asilimia hamsini na tano (55%) katika kipindi cha miezi kumi na mbili.

Tathmini ya Utendaji wa Kifedha

Kwa kuangalia viashiria vya utendaji wa Benki ya CRDB na kampuni zake tanzu, naridhika kwamba tuko kwenye njia sahihi kuelekea utendaji endelevu. Kama mnavyofahamu, 2021 ulikuwa mwaka wa mwisho wa mkakati wetu wa biashara wa miaka mitano, ambao unaendelea kutoa matokeo mazuri tangu kuanzishwa kwake.

Nafurahi kwamba timu ya menejimenti imekuwa thabiti katika utekelezaji wa mipango iliyowekwa na mkakati, na imeweza kumudu mabadiliko ya mazingira ya kibiashara yaliyowezesha kuingoza Benki ya CRDB na kampuni zake tanzu katika kipindi kigumu. Juhudi za mageuzi ya biashara zinazofanywa pia zimekuwa na athari kubwa katika uendeshaji wetu, na ni lazima nishukuru timu nzima, hasa wafanyakazi wetu kwa kuwa imara katika kukuza kampuni yetu.

Mkakati wa muda wa kati una nguzo tatu, ambazo ni: kufanya marekebisho katika zana zilizopo, kujenga benki ya siku zijazo na, kuainisha viwezeshaji. Kufanya marekebisho katika zana zilizopo kuna maanisha kutengeneza upya namna ya uendeshaji wetu ili kuhakikisha kuwa biashara inaleta faida kwa njia endelevu. Hii ilikuwa sehemu ya kuanzia katika kuwekamisingi ya kutekeleza mipango ya kuleta mageuzi ili kuboresha utoaji wa huduma na kuharakisha ukuaji. Awamu ya mwisho inahusisha kujenga uwezo kwa ajili ya uendeshaji bora na ukuaji endelevu. Napenda kuripoti kwamba tathmini yetu wenyewe imetupa alama ya kuridhisha katika ufanikishaji wa mkakati.

Kama utakavyoona katika taarifa za fedha zilizochapishwa katika Ripoti hii ya Mwaka, Benki ya CRDB na kampuni zake tanzu iliwasilisha utendaji thabiti wa kifedha, wenye viashirio muhimu vinavyoonyesha ukuaji endelevu kwa mwaka mzima. Tulipata ukuaji mkubwa wa mizania wa 23.0% hadi kufikia Sh. 8.8 trilioni kutoka Sh. 7.1 trilioni mwaka 2020. Uwiano wa Pato Halisi kwa Mali za Wanahisa (ROE) ilikua kutoka 16.3% mwaka 2020 hadi 22.0% mwaka 2021, wakati Mapato kwa kila Hisa (EPS) yaliongezeka kwa 61.8. % hadi Sh 102.7, kutoka Sh. 63.2 iliyoripotiwa mwaka 2020.

Shughuli zetu za uendeshaji za Burundi zinaendelea kuchangia vyema katika biashara yetu, na kuimarisha zaidi azma yetu ya kujitanua katika ukanda huu. Kampuni hii tanzu ilirekodi faida ya Sh. 12.8 bilioni ikiwa ni 4.8% ya faida yetu yote. Mipango yetu ya kuingia Jamhuri ya Kidemokrasia ya Kongo bado iko kwenye mchakato na tunatarajia kuzindua shughuli za uendeshaji ndani ya robo ya pili ya 2022.

Utendaji endelevu pamoja na mipango ya mageuzi ya biashara inayofanywa, inaendelea kuhamasisha imani miongoni mwa wawekezaji. Katika mwaka huo, hisa zetu ziliendelea kuwa na thamani sokonina bei ya wastani ya TZS 250.

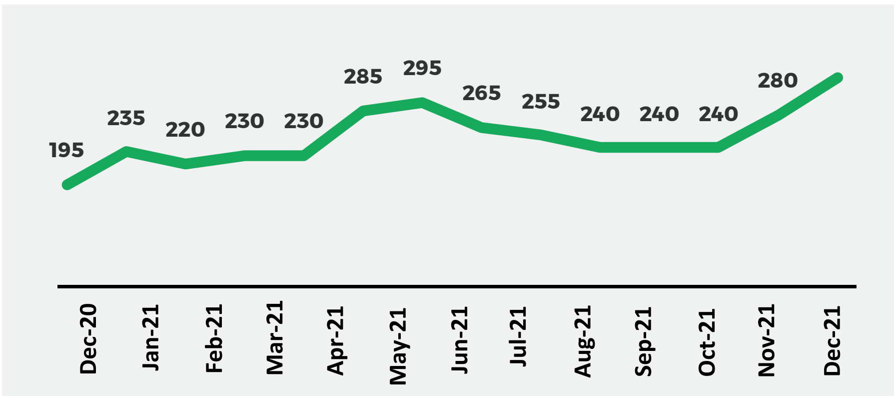
Tuna dhamira ya muda mrefu ya kuwapa thamani wanahisa, na ili kufanikiwa hili inahitaji tufikie utendaji bora wa kifedha. Tunaendelea kutumia fursa katika soko ikiwa ni pamoja na ujumuishwaji wa kifedha kwa wasiofikiwa na huduma za fedha ili kufanikisha uendeshaji endelevu wa Benki ya CRDB na kampuni zake tanzu.

Kutanua wigo wa uwekezaji wetu

Kama Benki ya CRDB na kampuni zake tanzu, uendeshaji wetu uendelevu unatokana na uwezo wa kufanya maamuzi sahihi ya uwekezaji. Tuna mkakati kabambe wa upanuzi wa huduma zetu, unaolenga eneo kubwa la Afrika Mashariki na Kati. Tunataka kuwa vinara wa ubunifu ambao utabadili mfumo wa sekta ya katika miaka ijayo. Masoko mapya, yenye jumla ya watu zaidi ya milioni 500, yanatoa changamoto mtambuka na mahitaji mbalimbali ambayo tunataka kutengeneza masuluhisho yake. Mafanikio ya kampuni yetu tanzu ya Burundi, haswa katika kuimarisha biashara baina ya nchi, yanaendelea kutupa hamasa ya kukuza wigo wetu wa utoaji huduma.

Kufuatia taarifa ya mwisho kuhusu kuingia kwetu katika Jamhuri ya Kidemokrasia ya Kongo (DRC), nafurahi kuripoti kwenu kwamba tumepata maendeleo makubwa katika kupata leseni na vibali vinavyohitajika kutoka kwa mamlaka za nyumbani pamoja na DRC. Tunatarajia kuanza uendeshaji ndani ya nusu ya pili ya mwaka wa fedha wa 2022.

Tukiwa bado kwenye masuala endelevu, Benki yetu - ikiwa shirika la kwanza la kibiashara katika ukanda huu kuidhinishwa na Mfuko wa Umoja wa Mataifa wa Hali ya Hewa ya Kijani mnamo 2019 - lilivunja rekodi tena, kwa kuwa Shirika la kwanza la Ufikiaji wa Moja kwa Moja (DAE) kupokea idhini ya ufadhili wa mradi wa Dola za Kimarekani Milioni 100. Shirika liliwasilisha pendekezo la



Mwenendo wa bei ya hisa ya Benki ya CRDB katika kipindi cha mwaka wa 2021

Mpango wa Kukabiliana na Hali ya Hewa na Usambazaji wa Teknolojia ya Kilimo Tanzania (TACTDP), ambao unalenga katika kusaidia kilimo endelevu na kukuza miradi ya kuhimili mabadiliko ya tabia nchi nchini. Mradi huu utasaidia sana katika kuongeza juhudi zetu za kusaidia mnyororo wa thamani wa kilimo.

Uwekezaji wetu katika mnyororo wa thamani wa kilimo unazungumziabayana historia yetu kama benki ya ushirika ya maendeleo ya vijijini katika miaka yetu ya mwanzo. Nafurahi kwamba uwekezaji wa kifedha katika Benki ya Ushirika ya Kilimanjaro (KCBL) na Benki ya Jamii ya Tandahimba (TACOBA) unaendelea kuonyesha matunda mazuri. Muhimu zaidi, tunaendelea kuwainua wakulima katika ukanda wa Kaskazini na Kusini, kupitia upatikanaji wa fedha unaotokana na uwekezaji huu.

Kuimarisha utawala na usimamizi

Kutokana na janga la UVIKO-19, tumejifunza kwamba utawala bora wa kampuni una jukumu muhimu katika kusaidia ufufuaji wa uchumi wetu. Kama kampuni, tumejidhatiti katika kudumisha kanuni za utawala bora kama mkakati endelevu. Tunaamini kwa dhati kwamba mashirika yanayozingatia utawala bora yanaleta mabadiliko katika sekta ya biashara, na kufanya mazingira ya biashara kuwa ya ushindani na kustahimili misukosuko ya siku zijazo, ikijumuisha kupitia usimamizi bora zaidi wa hatari za kimazingira, kijamii na utawala. Tunajitahidi kuwa na Bodi yenye wajumbe tofauti kiuzoefu na kitaalamu ili kusaidia kuelekeza Benki ya CRDB na kampuni zake tanzu kwenye mafanikio.

Tunaamini hali halisi mpya ya ulimwengu wa baada ya UVIKO-19, kimazingira, kijamii na kiutawala (ESG) itazidi kuwa msingi wa hali ya kiuchumi.

Tunatambua kwamba kuelekea kwenye uchumi wenye matumizi madogo ya hewa ya ukaakutaleta matatizo ya ziada kwa sekta ya huduma za kifedha na, kwa hivyo, tumeunda mfumo wa ESG ili kuharakisha kuanza kutumikakwake. Mfumo huu unachunguza aina za hatari a zinazoweza kutokea - katika hatari za moja kwa moja (kama vile athari za mabadiliko ya hali ya hewa kwenye mali), na hatari za mpito.

Mabadiliko ya Bodi

Katika kipindi mwaka wa mapitio, tulipokea wajumbe wapya wa Bodi:- Bw. Gerald Kasato, aliyechukua nafasi ya Bi. Rose Metta, akiwakilisha wanahisa waliokuwa na hisa kati ya 1 -10% na Bw. Royal Lyanga aliyechukua nafasi ya Bi. Ellen Gervas Rwijage mwakilishi wa Mfuko wa Uwekezaji wa DANIDA (DIF). Gerald na Royal wanatuletea uzoefu mwingi katika usimamizi wa uwekezaji na upangaji wa mkakati.Kwa niaba ya wafanyakazi wenzangu kwenye bodi na familia nzima ya Benki ya CRDB, napenda kuwakaribisha wajumbe wapya na kuwashukuru kwa moyo wote Bi. Ellen Rwijage na Bi. Rose Metta kwa mchango wao muhimu katika kipindi chao katika Bodi. Tunaendelea kuwashukuru wakurugenzi wanaomaliza muda wao kwa msaada ambao wametupa na tunawatakia kila la kheri katika shughuli zao zijazo.

Taarifa ya Menejimenti

Katika kipindi cha mwaka wa mapitio, Afisa Mkuu wa Biashara (CCO) Dkt. Joseph Witts ambae amehudumu ndani ya Benki kwa muda mrefu alitimiza umri wake wa kustaafu na alipangiwa kustaafu Desemba 2021. Hata hivyo, Bodi ilichagua kuongeza mkataba wake kwa miezi sita (6) ili kuruhusu zoezi la usahili wa nafasi hiyo ambalo litakamilika ndani ya robo ya kwanza ya 2022. Zoezi hili limehusidha watahiniwa wa ndani na nje.

Tukiwa bado kwenye uajiri, baada ya zoezi gumu la usahili, Bodi ilimteua Bi. Jessica Nyachiro kuongoza shughuli za uendeshaji wa Benki ya CRDB nchini Jamhuri ya Kidemokrasia ya Kongo (DRC). Hadi kuteuliwa kwake, Bi. Nyachiro alikuwa Mkuu wa Mikakati na Mahusiano ya Wawekezaji. Amehudumu benki kwa zaidi ya miaka 15 na ameonyesha uwezo mwingi na uelewa wa kina wa matarajio ya kampuni yetu. Sina shaka kuwa anafaa kwa jukumu hili na, nampongeza kwa uteuzi huu unaostahiki.

Kuelekea mwaka 2022, Bodi itaendelea kushirikiana na timu ya menejimentii ili kuhakikisha utekelezwaji bora wa mkakati. Nina furaha kwamba mashirikiano yaliyofanywa mwaka wa 2021 yameleta matokeo chanya kama inavyothibitishwa na utendaji thabiti wa kifedha ulioripotiwa. Mafanikio makuu yalikuwa kudhibiti gharama za uendeshaji kuliko sababisha uwiano bora wa gharama na mapato.

Uwekezaji wa Jamii

Benki ya CRDB na kampuni zake tanzu inapata msukumo na kuridhika pale inaposhiriki katika kusaidia kutatua changamoto za jamii katika masoko tunayoendesha. Tunaangazia miradi ambayo ni ya mabadiliko na hujitahidi kufanya kazi na washirika ili kuhakikisha tunapata matokeo makubwa. Sera yetu huelekeza kutenga 1% ya faida yetu halisi kuelekea Uwekezaji kwa Jamii (CSI) kwenye maeneo makuu manne ambayo ni: Afya na Ustawi, Elimu, Afya na Vijana na Michezo.

Katika kipindi cha mwaka wa mapitio, tuliendelea na juhudi zetu za kupanga vyema shughuli za uwekezaji kwa jamii tukiwa na mtazamo wa kuanzisha taasisi itakayokua inaratibu shughuli hizi. Kufanya shughuli za uwekezaji kwa jamii kupitia taasisi kutasaidia kuleta uwajibikaji katika shughuli hizi. Chini ya taasisi hii mafanikio mafanikio ya shughuli za uwekezaji kwa jamii yatakuwa ya kimkakati, yenye kufuatiliwa na kupimwa.

Mtazamo wa Siku za Usoni

Tunapoanza mwaka wa mwisho wa mkakati wetu wa miaka mitano, tuna maono wazi ya kukuza biashara yetu, kutumia teknolojia ili kupata faida ya fursa zinazojitokeza. Tumepata mafanikio makubwa katika kujiandaa kwa ukuaji endelevu na tunanuia kujenga zaidi uwezo tulionao na kujiimarisha sehemu ambazo tuna udhaifu. Janga la UVIKO-19, mbali na kuharakisha safari yetu ya mabadiliko ya kidijitali, pia limesisitiza hitaji la kuwa na uwezo wa hali ya juu wa kubadilika na kuendana na mazingira.

Katika kukabiliwa na hali ya biashara inayobadilika kila mara, lengo letu ni kuwawezesha watu wetu kwa maarifa na zana wanazohitaji ili kutoa huduma thabiti ambazo zitahakikisha kuridhika kwa wateja wetu. Bodi ipo makini na ustawi wa wafanyikazi, haswa katika muktadha wa changamoto katika mazingira ya kazi, na imeidhinisha kupitishwa kwa Usimamizi wa Uzoefu wa Wafanyakazi (EXM) kama sehemu ya mkakati wetu endelevu wa kujenga taasisi yenye utendaji wa hali ya juu..

Mapendekezo ya Gawio

Bodi inaendelea kutazama kwa karibu hali halisi na inahitaji kuhakikisha uwepo wa uwiano kati ya kuwapa thamani wanahisa na kuwekeza tena fedha katika biashara kwa ajili ya ukuaji wa siku zijazo. Kwa sababu hiyo, imependekeza gawio la TZS 36 kwa kila hisa kwa mwaka ulioishia tarehe 31 Desemba 2021, kutegemea idhini ya wanahisa wakati wa Mkutano Mkuu wa Mwaka (AGM).

Shukrani

Pasi na shaka, Benki ya CRDB na kampuni zake tanzu ni mnufaika mkubwa wa heshima ambayo jamii inatupa. Bodi inathamini mchango unaotolewa na wadau wetu, kwa kuanzia na wateja wetu, ambao wametuamini kuwahudumia. Tuna deni kwa wanahisa wetu ambao wameturuhusu kuwafanyia kazi kwa kulinda na kusimamia uwekezaji wao ambao wamechuma kwa bidii kubwa.

Mafanikio ambayo tumetaja katika ripoti hii hayangewezekana bila timu ya wafanyakazi waliojitolea kufanya kazi kwa bidii. Tumebahatika kuwa na nguvu kazi mahiri kama hii inayojiendesha na kustahimili changamoto mbalimbali. Tunashukuru milele. Shukrani hizi pia ziwaendee timu ya menejimenti, ambayo licha ya changamoto zilizopo, wameendelea kuiongoza timu kubaki kwenye mstari ili kutoa matokeo tuliyonayo sasa.

Mwisho kabisa, natambua mchango wa mdhibiti wetu, Benki Kuu ya Tanzania na Serikali ya awamu ya sita ya Tanzania chini ya Mheshimiwa Rais Samia Suluhu Hassan kwa sekta ya huduma za fedha na hasa sekta ya benki. Tumenufaika kutokana na mazingira mazuri ya kibiashara yaliyoundwa na serikali na tuna matumaini kwamba tutaendelea kuimarika chini ya uongozi huu. Shukrani kama hizo huenda kwa washirika wetu wa mfumo ikiwa ni pamoja na washirika na watoa huduma.

Dr Ally Hussein Laay,
Mwenyekiti wa shirika

Group CEO's Statement

We are living in unprecedented times where so much is happening at a fast pace. This assertion became even truer in 2021, considering the developments around the world and, especially in the countries we operate. The COVID-19 pandemic, which has disrupted economies and adversely impacted livelihoods, has heralded a new age, not just in business, but also in our social lives. Things that were previously norms have evolved and are slowly being replaced by new ones. The world is embracing alternatives to what we are used to, in the face of rapid changes

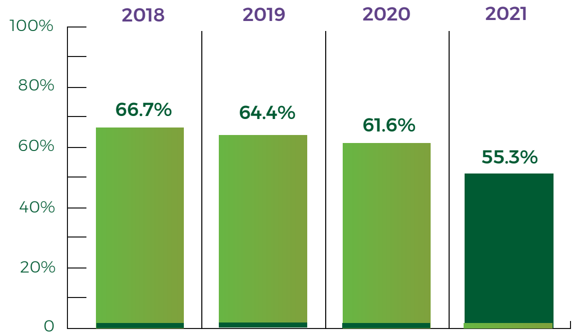
Adapting to change to sustain growth was our priority in 2021. Learning from the challenges of the preceding year, we embarked on the year, with the benefit of hindsight, appreciating the unpredictability of the market. Our strategy focused on building the resilience of our business, looking at both systems and people and; enhancing the Group's ability to adapt to change, to take advantage of the emerging opportunities.

In retrospect, 2021 presented a unique opportunity for our Group to rediscover its innate potential, inspired by the vision of its founders. Our founders had a noble dream to transform lives through the cooperative movement. The spirit of cooperation was reignited once more in 2021, when our Group made a bold call to lead by example, instituting deliberate actions to aid the economic recovery of the country from the ravages of the pandemic. Importantly, we sustained support to our customers as they continued to navigate the challenges that came their way.

The 2021 financial year was the fourth of our five-year medium-term strategy, during which we had purposed to address performance gaps and enhance portfolio quality to sustain growth. We were intentional in building organizational resilience to successfully navigate the challenging business environment, and adequately meet the evolving needs of our customers. Right from the onset, we wanted to build on the successes of 2020, during which we had made significant leaps in accelerating delivery on the strategy.

Sustaining performance

As a result of our proactive approach during the year, our Group continued to capture the markets with innovative solutions, resulting in sustained growth in both our top and bottom lines. Specifically, we achieved strong financials and improved the overall soundness of the Group as you will learn throughout this annual report. Our Group PAT grew 62.3% (YoY) from TZS 165.2 billion posted in 2020, to TZS 268.2 billion in 2021. Fundamentally, we improved our balance sheet position with significant growth in loans and advances, maintained adequate capital, and enhanced the efficiency of our operations. The latter is particularly important for our Group, considering the regulatory directive on the cost-to-income ratio (CIR) in January 2021, requiring banks to regularise the efficiency ratios to below 55% by December 2022. We achieved a CIR of 55.3% courtesy of improved revenues, complemented by strategic cost containment initiatives that we implemented throughout the year.



CIR Trend over the last four years

TZS 12.8 Billion

Burundi Subsidary PAT growth of 15.3% from TZS 11.1 billion reported in 2020

Our subsidiaries continued to contribute positively to our business with our Burundi operations yielding TZS 12.8 billion in net profit while our insurance subsidiary returned a TZS 859.0 million profit (a 76.3% decline from 2020). The subsidiaries total contribution to the Group's profitability stood at 5%. Our Burundi subsidiary continues to exhibit great potential, riding on the continued stability in the market and the sustained pandemic recovery. The Government's deliberate effort to strengthen bilateral relations with the Republic of Burundi has also been a contributing factor.

On the other hand, the decline in profit at our insurance subsidiary was a result of the mandatory reforms in compliance with requirements by the regulator for banks to cease insurance brokerage services in favor of bancassurance. Our Group has fully complied with the directive, and I am happy to report that we have fully integrated our insurance operations with our retail offering, further enhancing access to insurance services throughout our retail distribution network.

Seeing opportunity in the challenges around us

During the 2021 FY, we opted to look at the challenges that our customers faced as opportunities to provide solutions. The primary goal was to add value to the lives of our customers in a manner that is consistent with our institutional beliefs and values. It is exciting to report that the approach has brought home immense tidings, and added impetus to our growth trajectory in the long term. Fundamentally, it has revitalized our desire to make an impact and give our people a great sense of purpose.

When we began the year, we identified four specific drivers of growth, informed by our experience during the previous year: sales, service, product, and people. Anticipating the challenges that come with pandemic recovery, we had a clear strategy to acquire new customers through aggressive sales, targeting specific value chains for better sustenance. We augmented the delivery of our services by expanding our alternative channels and enhancing the experience on all our touchpoints. The latter also resulted in increased operational efficiency, which can be noted in the reduced cost of doing business.

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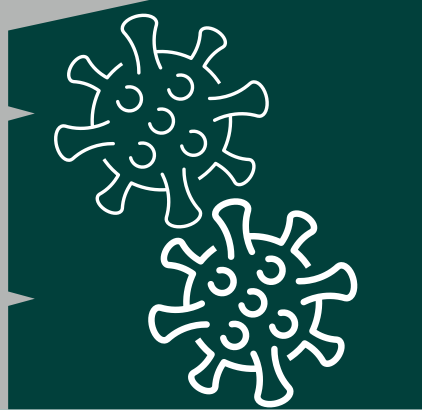
Thirdly, we enhanced our flagship products, after a detailed review, and tailored them to the specific needs of our customers, resulting in increased uptake and adoption of our services across our entire offering. More importantly, we strengthened our strategic partnerships, which helped reinforce our capabilities in terms of funding and service delivery.

Adapting to the shifting business landscape

Without a doubt, 2021 was a defining year for the banking sector in Tanzania and, more so, for our Group. Despite the changes on the regulatory front, the sector remained stable, buoyed by the gradual recovery in the global economy. The deliberate effort by the political administration to strengthen the private sector, boost investor confidence, and improve the country's foreign relations also played a big role. In a nutshell, the banking industry was generally stable, maintaining adequate liquidity. There was also continued consolidation of the sector, with at least eight banks commencing merger processes, mainly to meet regulatory requirements.

As a Group, we witnessed rebounded business, from our corporate clients, who had been impacted by the disruption in the global supply chains.

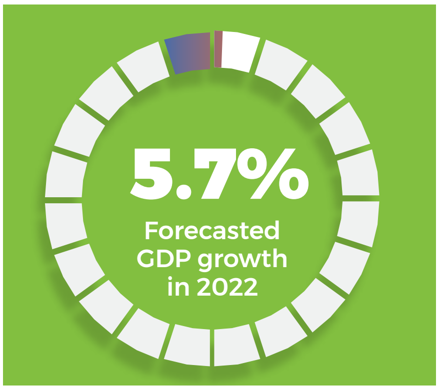
We also benefited from the reversal of the restrictions on movements across the borders with our trading partners such as Kenya, Uganda, and Rwanda around the issue of COVID-19.



We also benefitted from the reversal of the restrictions on movements across the borders with our trading partners such as Kenya, Uganda, and Rwanda around the issue of COVID-19. A consensus among East African Community (EAC) partner states on a coordinated approach in responding to the COVID-19 pandemic played a major role in reopening the region for business to the benefit of our country.

Similarly, the decision by the Tanzanian government to strengthen bilateral relations with Kenya provided the much-needed thrust to boost trade between the two countries. As a result, many of our customers, especially those along the agriculture value chain, obtained relief with a rise in demand for agricultural goods such as grains and horticultural products on the Kenyan side. Our Group was on hand to provide the necessary financial products and support, which in turn helped tilt the balance of trade in favor of Tanzania.

The Tanzanian shilling remained resilient throughout the year, maintaining a strong performance against the US dollar. This was mainly contributed by a steady flow of the dollar from recovering tourism, exports, and funds from development partners.



Sustaining support to customers towards recovery

Learning from the challenges of 2020, our Group endeavored to maintain close relationships with customers to understand their unique situations to help them into full recovery. We continued to equip our staff with the necessary knowledge and skills to adequately support our customers during the recovery process. We also rolled out new solutions which were tailored to meet market demands. The latter was made possible through strategic partnerships, which were strengthened throughout the year to ensure we can serve.

A good example is our partnership with the Tanzania Postal Corporation (TPC) to provide banking services through 90 service centers spread across the country. The partnership allows customers seeking bank services to obtain them at the TPC centers, alongside our agency network of over 19,000 and more than 250 branches. Our objective was to ensure that our customers have access to services, irrespective of their geographical location. Our investment in robust digital platforms also points to this commitment. If you have been following our investments, you will note that we are keen on spreading our presence through such partnerships to enhance access and availability of services to all segments of the market across the country.

Since we rely on technology to serve the majority of our customers, we made investments to improve the experience on all our digital platforms including web (internet banking), ATMs, and POS terminals. Specifically, we replaced more than 100 ATMs, introduced an E-Loan calculator for our web users, simplified online purchase registration, and updated our e-product catalog. We also simplified the Tanzania Inter-Bank Settlement System (TISS) transactions to give our corporate and institutional customers a better experience.

Our commitment to supporting small-scale farmers continued to receive consideration with the introduction of medical insurance through co-operatives. The product dubbed Ushirika Afya targets farmers in the Coffee, Dairy, Tobacco, Sisal, Sugarcane, Cashew and Cotton sub-sectors. Primarily, we have an elaborate focus on the agriculture sector, which we consider one of our strongest segments. The recent approval of a USD100 million facility by the Green Climate Fund (GCF) will further enhance our capability to support the sector, alongside government efforts. The GCF grant will benefit an estimated 6.1 million people (1.2 million direct beneficiaries and about 4.9 million indirectly)

Sustaining strategic engagements

A lot of the successes of 2021 are a product of close engagements with our stakeholders, including the regulator, partners and customers. As a Group, we understand that engaging our stakeholders regularly and responsibly has a positive impact on our business, both in the short and long term.

During the 2021 FY, we reached out to a diverse group of stakeholders and engaged variously on pertinent issues, most of which have a direct bearing on our business. The highlight of our engagements during the year was the visit by Her Excellency, President Samia Suluhu to our Burundi subsidiary, in Bujumbura during her first state visit to the country, in mid-July. Other notable engagements included participation in the United Nations Climate Conference (COP 26) in Glasgow, UK; as part of our Group's continuing efforts to be the sustainability champion and an environmental steward. We also had a successful business tour to Italy where we sponsored some of the corporate customers to attend a business forum on the sidelines of Tanzania at 60 years independence celebrations organised by the Ministry of Foreign Affairs. In terms of engaging with our investors, we hosted two-results calls for both our H1 and Q4 results. Other highlights include engagements with the Revolutionary Government of the People of Zanzibar, the Group's participation in Uwekezaji Day, and of course, our Hybrid (combining both virtual and physical attendance) AGM held in May in Arusha.

Key Milestones

Our brand believes in inspiring our customers and peers into achieving great things, let alone being leaders in whatever they do. The idea of leading is embedded in the DNA of our people and often drives them to render their best in all circumstances. This attitude continued to yield positive results in 2021, with our Group celebrating several wins, despite the challenges. Some of the most notable milestones, away from the historical financial performance include:

$100 Million	**$100 Million Funding for Agriculture Climate Adaptation** – A proposal for Tanzania Agriculture Climate Adaptation and Technology Deployment Program (TACATDAP), submitted by CRDB Bank to the United Nations Green Climate Fund (GCF), was approved for funding. CRDB Bank became the first commercial Direct Access accredited entity to have a proposal approved for funding to the tune of USD100 million.
20+ accolades	**More than 20 local, regional and global accolades** - our Group received various awards and recognitions from various institutions, regulatory bodies, and associations underscoring the quality of our endeavors.
12+ partnerships	**More than a dozen strategic partnerships** - we signed MOUs with leading partners in the areas of technology, training, funding, and distribution during the year, further strengthening our ability to adequately serve our customers.
5+ events	**Successful social impact activities** - During the year, we held a successful fundraising marathon and a national basketball tournament. Through the CRDB Annual Marathon, we have been able to support the Jakaya Kikwete Cardiac Institute to conduct more than 400 heart operations on young children born with heart conditions.
4+ solutions	**New customer propositions** - We launched various propositions including Islamic banking, import cargo financing and Dirham trading.
360° change	**Culture Transformation** - During the year, we launched a culture transformation program that aims to propel our Group into a High-Performance Organization (HPO).
11 floors	**Moving into a new head office** - during the year, we successfully shifted our head office operations to our new iconic building offices in Upanga, Dar es Salaam. The new offices provide a modern workspace that will inspire creativity and innovation.

Investing in our people

Attracting and retaining the best talent in the market remains our priority as a Group. This is why we are continuously exploring ways to improve our employee wellbeing and create a conducive environment that supports innovation. During the year, we made progress in empowering our people through specialized training and motivation. Specifically, we introduced wellness boot camps and organized interdepartmental and zonal competitions to promote employee engagements and enhance their physical and mental wellbeing. In building capacity, we deployed the best-in-class online learning platform, Udemy (an internationally recognized learning application) to foster self-learning and accelerate capacity building. We also instituted strategic workforce planning and outsourced specialized resources in direct sales, business development and logistical support.

Achieving operational excellence

We remain fully cognizant that for us to be sustainable, we must achieve excellence in our operations, especially in the context of the changes occurring in the marketplace. A critical consideration for us during the 2021 financial year was optimizing resources to address cost levers. I am happy to report that our cost initiatives brought about good results that have resulted in improved efficiencies as you will learn in the later pages of this annual report.

During the year, we made major investments towards strengthening our ICT capabilities and building a robust

technology environment to support growth. Key accomplishments during the year included initiating the deployment of a new core banking system and the successful delivery of several mission-critical systems. Strategically, we adopted a service-oriented architecture (SOA), which added impetus to our efforts to enhance customer experience. In terms of governance, we enhanced our cyber security capabilities, in the face of evolving cyber threats - some of which have been exacerbated by the pandemic.

We continue to automate critical processes to optimize our service delivery and ensure a seamless experience across all services. We have also empowered our contact centre team to enhance the experience of our customers.

Looking ahead

The 2022 financial year is the final year of our medium-term strategy and, as expected, we must take stock of what we have been able to achieve over the period. Our priority is to strengthen the drivers of growth, building on the strong foundations for sustainability. Looking back at the year 2021, I am confident to say that the medium-term strategy has played a pivotal role in anchoring the Group, and has given us a good basis to face the future.

We acknowledge that customers have become technologically knowledgeable and reckon that they expect innovations that will serve them in a more personalized and efficient manner.

Our strategy as a Group is to deepen our connections with customers using data analysis techniques to ensure that we anticipate and address their needs at a personal level.

We will also take into account customer and employee satisfaction, as there is evidence to suggest these are becoming better predictors of future financial success.

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We remain keen on building our capacity to spot new emerging opportunities, be it through markets, customers or products. From a commercial perspective, we will focus on value chain optimization from emerging sectors of the country to grow the business. Internally, we will continue prioritizing high-impact areas and sustain cost containment initiatives to improve efficiency. We also plan to accelerate the delivery of IT mission-critical systems and digital transformation projects to bolster service delivery.

Our regional expansion endeavor remains firmly on course and going into 2022, we expect to finalize the incorporation of the Democratic of Congo subsidiary and launch operations within the second half of the year. Already, we have obtained all the requisite approvals from both sides and are ready to explore opportunities presented by the expansive market. Administratively, we have already recruited a managing director for the subsidiary, following a competitive recruitment process conducted within the fourth quarter of 2021.

The culture transformation program that we are undertaking sits at the core of our strategy because we understand the value of keeping a motivated and engaged workforce. We have an elaborate reskilling plan, which we believe will provide the necessary strength that we require for longevity.

Acknowledgements

The success reported during the 2021 financial year epitomises the value of team synergy and common purpose. I am greatly indebted to the entire team at CRDB Bank, starting with our employees, who have been resilient in face of challenges. I also thank our Board of Directors for its steadfast support, and especially for their leadership and professional input that has guided us to deliver strong results. I acknowledge the support provided by the system partners, including our CRDB Wakala agents, suppliers, and vendors.

More importantly, I thank our customers who have chosen us to serve them. We are privileged to work with a dynamic set of customers, who are the real builders of our nation. I am also grateful to our external stakeholders including the regulator, Bank of Tanzania (BOT), the government of the United Republic of Tanzania, and the political administrations in the markets of our operation.

Abdulmajid Nsekela
Group CEO

Taarifa ya Afisa Mtendaji Mkuu

Tunaishi katika nyakati ambazo hazijawahi kutokea ambapo mengi yanatokea kwa kasi kubwa sana. Ukweli huu ulijidhihirisha katika mwaka 2021, hasa ukizingatia mabadiliko ulimwenguni na katika nchi tunazofanya biashara. Janga la UVIKO-19, ambalo limevuruga uchumi wa nchi mbalimbali na kuathiri vibaya maisha, limeleta zama mpya, si tu katika biashara, bali pia katika maisha yetu ya kijamii. Mambo ambayo hapo awali yalikuwa ya kawaida yamebadilika na taratibu mambo mapya yamechukua nafasi. Ulimwengu unaendelea kuzoea matumizi ya njia mbadala kutokana na mabadiliko yaliyojitokeza.

Kukabiliana na mabadiliko ili kuendeleza ukuaji ndicho kilikuwa kipaumbele chetu mwaka wa 2021. Tukijifunza kutokana na changamoto za mwaka uliotangulia, tulianza mwaka tukiwa na uzoefu wa hali ya soko isiyotabirika. Mkakati wetu ulilenga kujenga uimara wa biashara yetu, kwa kutazama mifumo na rasilimali watu na; kuimarisha uwezo wetu kukabiliana na mabadiliko ili kutumia vyema fursa zinazojitokeza.

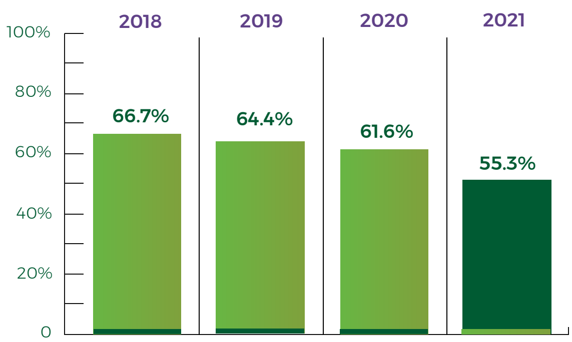
Tukitazama nyuma, 2021 ilitoa fursa ya kipekee kwa Benki ya CRDB na kampuni zake tanzu kutambua upya uwezo wake wa asili, uliochochewa na maono ya waanzilishi wake. Waanzilishi wetu walikuwa na ndoto nzuri ya kubadilisha maisha kupitia harakati za ushirika. Moyo wa ushirika ulirejeshwa tena mnamo 2021, wakati tulipobeba ujasiri na kuongoza kwa mfano, kuanzisha hatua za makusudi kusaidia kufufua uchumi wa nchi kutokana na madhara ya janga la UVIKO-19. Muhimu zaidi, tuliendelea kutoa mchango kwa wateja wetu walipokuwa wakiendelea kukabiliana na changamoto zilizowakabili.

Mwaka wa fedha wa 2021 ulikuwa wa nne kati ya miaka mitano ya mkakati wetu wa biashara wa muda wa kati, ambapo tulidhamiria kushughulikia mapungufu ya utendaji na kuongeza ubora wa biashara yetu ili kuendeleza ukuaji. Tulikuwa na nia ya dhati ya kujenga taasisi imara ili kukabili changamoto za mazingira ya biashara na kukidhi mahitaji yanayoendelea kubadilika ya wateja wetu. Tangu mwanzo, tulitaka kuendeleza mafanikio ya 2020, ambapo tulipiga hatua kubwa katika utekelezaji wa mkakati wetu wa biashara.

Utendaji endelevu

Kutokana na mtazamo wetu wa kuona mbali, Benki ya CRDB na kampuni zake tanzu iliendelea kukamata masoko kwa masuluhisho ya kiubunifu, na hivyo kusababisha ukuaji endelevu katika maeneo yote muhimu kibiashara. Kimsingi, tulipata matokeo mazuri ya kifedha na kuboresha ubora wa jumla wa Benki ya CRDB na kampuni zake tanzu kama utakavyoona katika ripoti hii yote ya mwaka. Faida yetu baada kodi ilikua kwa 62.3% kutoka Sh. 165.2 bilioni zilizoripotiwa mwaka 2020, hadi Sh. 268.2 bilioni mwaka 2021. Zaidi ya hilo tuliboresha mizania yetu kwa ukuaji mkubwa wa mikopo, kudumisha mtaji wa kutosha, na kuimarisha ufanisi wa uendeshaji wetu. Uimarishaji wa ufanisi wa uendeshaji wetu ni jambo muhimu sana kwetu kwa kuzingatia agizo la mdhibiti kuhusu uwiano wa gharama kwa mapato (CIR) mnamo Januari 2021, linalotaka benki kuratibu uwiano wa ufanisi hadi chini ya 55% kufikia Desemba 2022. Tulipata uwiano wa gharama kwa mapato ya 55.3%. ikichangiwa na ukuaji wa mapato sambamba na mikakati ya kudhibiti gharama ambayo tulitekeleza mwaka mzima.

Kampuni zetu tanzu ziliendelea kuchangia vyema katika biashara yetu huku biashara yetu ya Burundi ikitoa faida ya TZS 12.8 bilioni huku kampuni yetu tanzu ya bima ikirudisha faida ya Sh. 859.0 milioni (punguzo la 76.3% kutoka 2020). Kampuni yetu tanzu ya Burundi inaendelea kuonyesha uwezo mkubwa, ikichagizwa na uimara wa soko na kuanza kuinuka kwa uchumi baada ya



Mwenendo wa ufanisi katika kipindi cha miaka minne

Tsh 12.8 Bilioni

Faida baada ya kodi ya kampuni tanzu ya CRDB Burundi imekua kwa asilimia 15.3 kutoka TSh 11.1 billioni 2020.

janga la UVIKO-19. Juhudi za makusudi za Serikali za kuimarisha uhusiano na Jamhuri ya Burundi pia imekuwa sababu ya kuchangia mafanikio yetu.

Kwa upande mwingine, kupungua kwa faida katika kampuni tanzu yetu ya bima kulitokana na mageuzi ya lazima kwa kufuata matakwa ya mdhibiti kwa benki kusitisha huduma za udalali wa bima kwa mabenki ili kutoa fursa kwa mabenki kutoa huduma za bima bila kupitia kwa madalali (Bancassurance). Nafurahi kuripoti kwamba tumetekeleza takwa hilo la mdhibiti na tumeunganisha kikamilifu shughuli zetu za bima na huduma zetu kwa wateja wadogo na kati, na hivyo kuimarisha ufikiaji wa huduma za bima katika mtandao wetu wote wa utoaji huduma.

Kuona fursa katika changamoto zinazotuzunguka

Katika Mwaka wa Fedha wa 2021, tulichagua kuangalia changamoto ambazo wateja wetu walikabili kama fursa za kusuluhisha. Lengo kuu lilikuwa ni kuongeza thamani kwa maisha ya wateja wetu katika namna inayoendana na imani na maadili yetu ya kitaasisi. Nafurahi kuripoti kwamba mbinu hii imeleta matokeo chanya na kuongeza hamasa katika mwelekeo wetu wa ukuaji wa muda mrefu. Kimsingi, imehuisha hamu yetu ya kuleta athari chanya na kuwapa watu wetu hisia kubwa ya kusudi la uwepo wetu.

Tulipoanza mwaka, tulitambua vichochezi vinne mahususi vya ukuaji, kutokana na uzoefu wetu katika mwaka uliopita: mauzo, huduma, bidhaa na watu. Kwa kutarajia changamoto zinazokuja na kupungua kwa athari za janga la UVIKO-19, tulikuwa na mkakati makhususi wa kupata wateja wapya kupitia mauzo yenye hamasa kubwa tukilenga minyororo maalum ya thamani. Tuliboresha utoaji wa huduma zetu kwa kutanua wigo wa njia zetu mbadala za kutoa huduma. Kutanua wigo wa njia zetu mbadala za kutoa huduma kulisababisha kuongeza kwa ufanisi katika uendeshaji jambo ambalo linaweza kuonekana katika kupungua kwa gharama za uendeshaji wa biashara.

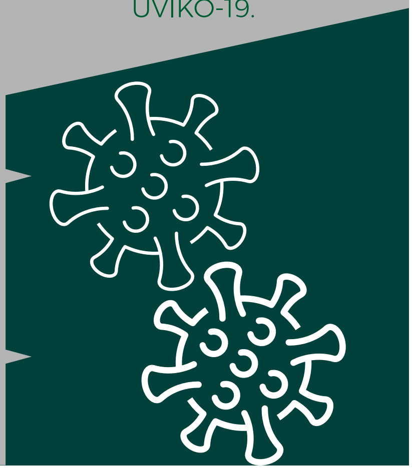
Tatu, tuliboresha bidhaa zetu kuu, baada ya tathmini ya kina, na kuziboresha kuendana na mahitaji mahususi ya wateja wetu, na hivyo kusababisha kuongezeka kwa matumizi na utumiaji wa huduma na bidhaa zetu. Muhimu zaidi, tuliimarisha ushirikiano wetu wa kimkakati, ambao ulisaidia kuimarisha uwezo wetu katika masuala ya uwezeshaji na utoaji wa huduma.

Kumudu mazingira ya biashara yanayobadilika

Pasi na shaka, 2021 ulikuwa mwaka wa kipekee kwa sekta ya benki nchini Tanzania na, zaidi, kwa Benki ya CRDB na kampuni zake tanzu. Licha ya mabadiliko katika upande wa udhibiti, sekta ya benki iliendelea kuwa tulivu, ikichochewa na kuimarika taratibu kwa uchumi wa dunia. Juhudi za makusudi za utawala wa kisiasa za kuimarisha sekta ya kibinafsi, kuongeza imani ya wawekezaji, na kuboresha mahusiano ya nje ya nchi pia zilichangia kwa kiasi kikubwa. Kwa kifupi, sekta ya benki kwa ujumla ilikuwa imara, ikidumisha ukwasi wa kutosha. Kulikuwa pia na kuendelea kwa uimarishaji wa sekta ambapo angalau benki nane zilianza mchakato wa kuungana ili kukidhi mahitaji ya ukwasi kwa viwango vya mdhibiti wa sekta.

Tulishuhudia kuimarika kwa biashara kutoka kwa wateja wetu wakubwa ambao walikuwa wameathiriwa changamoto zilizojitokeza ulimwenguni. Pia tulinufaika kutokana na kubatilishwa kwa vizuizi vya kuvuka mipaka na washirika wetu wa kibiashara kama vile Kenya, Uganda na Rwanda kutokana na suala la UVIKO-19. Makubaliano kati ya nchi washirika wa Jumuiya ya Afrika Mashariki (EAC) kuhusu

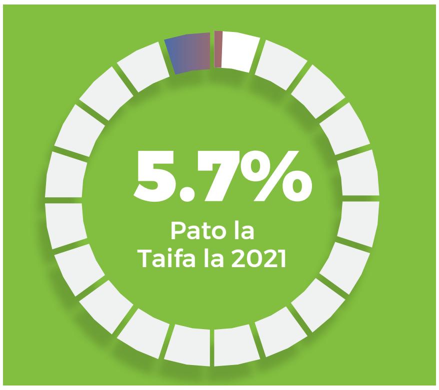
> Pia tulinufaika kutokana na kuondolewa kwa vizuizi vya kibiashara kwenye mipaka na washirika wetu kama vile Kenya, Uganda na Rwanda kutokana na janga la UVIKO-19.



mbinu za pamoja kukabiliana na janga la COVID-19 yalikua na mchango mkubwa katika kufungua eneo la ukanda kibiashara.

Vile vile, uamuzi wa serikali ya Tanzania wa kuimarisha uhusiano na Kenya ulitoa msukumo uliohitajika sana wa kuimarisha biashara kati ya nchi hizo mbili. Kutokana na hilo, wateja wetu wengi, haswa wale walio kwenye mnyororo wa thamani wa kilimo, walipata afueni kutokana na kuongezeka kwa mahitaji ya bidhaa za kilimo kama vile nafaka na mazao ya bustani upande wa Kenya. Benki ya CRDB na kampuni zake tanzu ilikuwa tayari kutoa bidhaa muhimu za kifedha na uwezeshaji ambao ulisaidia kuweka sawa mzani wa biashara kwa faida ya Tanzania.

Shilingi ya Tanzania ilisalia kuwa imara kwa kipindi cha mwaka mzima, na kudumisha utendaji mzuri dhidi ya dola ya Marekani. Hii ilichangiwa zaidi na ukusanyaji mzuri wa dola kutokana na kurejea kwa shughuli za utalii, mauzo ya nje na fedha kutoka kwa washirika wa maendeleo.



Uwezeshaji kwa wateja

Kwa kujifunza kutokana na changamoto za 2020, tulijitahidi kudumisha mahusiano ya karibu na wateja ili kuelewa hali zao na kisha kuwasaidia kurejea katika hali bora kiuchumi. Tuliendelea kuwapa wafanyakazi wetu maarifa na ujuzi unaohitajika ili kusaidia ipasavyo wateja wetu wakati huo. Pia tulitoa masuluhisho mapya ambayo yaliundwa kukidhi mahitaji ya soko. Hili liliwezekana kupitia ubia wa kimkakati, ambao uliimarishwa katika kipindi cha mwaka mzima ili kuhakikisha tunaweza kuhudumia soko.

Mfano mzuri ni ushirikiano wetu na Shirika la Posta Tanzania (TPC) kutoa huduma za kibenki kupitia vituo 90 vya huduma vilivyosambaa nchi nzima. Ubia huo unaruhusu wateja wanaotafuta huduma za benki kuzipata katika vituo vya TPC, pamoja na mtandao wetu wa wakala wa zaidi ya 19,000 na zaidi ya matawi 250. Lengo letu lilikuwa ni kuhakikisha kuwa wateja wetu wanapata huduma, bila kujali maeneo yao ya kijiografia. Uwekezaji wetu katika mifumo thabiti ya kidijitali pia unadhihirisha lengo hili. Ikiwa unafuatilia uwekezaji wetu, utagundua kuwa tunayo nia ya kueneza uwepo wetu kupitia mashirikiano ya kigitali ili kuboresha upatikanaji na upatikanaji wa huduma kwa makundi yote ya wateja nchini.

Kwa kuwa tunategemea teknolojia kuhudumia wateja wetu wengi, tulifanya uwekezaji ili kuboresha matumizi kwenye mifumo yetu yote ya kidijitali ikiwa ni pamoja na wavuti (benki kwa njia ya mtandao), ATM na vituo vya malipo (POS). Kimsingi, tulibadilisha zaidi ya ATM 100, tukaanzisha kikokotoo cha Mkopo wa E-Loan kwa watumiaji wetu wa wavuti, tumerahisisha usajili wa manunuzi mtandaoni, na kuboresha wigo wa bidhaa zetu za kielektroniki. Pia tumerahisisha miamala ya ndani ya Tanzania yaani Tanzania Inter-Bank Settlement System (TISS) ili kuwapa wateja wetu wa makampuni na taasisi uzoefu bora zaidi.

Ahadi yetu ya kusaidia wakulima wadogo iliendelea kutiliwa mkazo na kuanzishwa kwa bima ya matibabu kupitia vyama vya ushirika. Bidhaa hiyo iliyopewa jina la Ushirika Afya inawalenga wakulima wa sekta ndogo za Kahawa, Maziwa, Tumbaku, Mkonge, Miwa, Korosho na Pamba. Kimsingi, tunazingatia kwa kina sekta ya kilimo, ambayo tunaizingatia kama mojawapo ya eneo letu la biashara lenye nguvu zaidi. Uidhinishaji wa hivi karibuni wa ruzuku ya dola milioni 100 kutoka Mfuko wa Hali ya Hewa ya Kijani (GCF) sambamba na juhudi za serikali, utaimarisha zaidi uwezo wetu wa kusaidia sekta hii. Ruzuku hii ya GCF itanufaisha wastani wa watu milioni 6.1 (wanufaikaji wa moja kwa moja milioni 1.2 na takriban wanufaikaji milioni 4.9 wasio wa moja kwa moja)

Kudumisha shughuli za kimkakati

Mafanikio mengi ya 2021 ni zao la ushirikiano wa karibu na wadau wetu, ikiwa ni pamoja na mdhibiti, washirika wa kibiashara na wateja. Tunaelewa kuwa kushirikisha wadau wetu mara kwa mara na kwa uwajibikaji kuna matokeo chanya kwa biashara yetu, katika kipindi cha muda mfupi na mrefu.

Katika mwaka wa fedha wa 2021, tuliyafikia makundi tofauti ya wadau na kuwahusisha kwa namna mbalimbali kuhusu masuala muhimu, ambayo mengi yana uhusiano wa moja kwa moja kwenye biashara yetu. Jambo lililotia fora ilikua ni ziara ya Mheshimiwa, Rais Samia Suluhu katika kampuni yetu tanzu ya Burundi, mjini Bujumbura wakati wa ziara yake ya kwanza ya kiserikali nchini humo, katikati ya mwezi Julai. Mashirikiano mengine muhimu ni pamoja na kushiriki katika Kongamano la Hali ya Hewa la Umoja wa Mataifa (COP26) huko Glasgow, Uingereza; kama sehemu ya juhudi zinazoendelea kwa Benki ya CRDB na kampuni zake tanzu kuwa bingwa wa masuala endelevu katika utunzaji wa mazingira. Pia tulikuwa na ziara ya kibiashara yenye mafanikio nchini Italia ambapo tulifadhili baadhi ya wateja wa makampuni kuhudhuria kongamano la wafanyabiashara wa Tanzania katika sherehe za miaka 60 ya uhuru iliyoandaliwa na Wizara ya Mambo ya Nje. Kwa upande wa kushirikisha wawekezaji wetu, tulifanya mawasiliano nao kwa njia ya simu kuwapa taarifa ya matokeo yetu ya fedha kwa nusu ya kwanza ya mwaka na robo ya mwisho ya mwaka. Mambo mengine muhimu ni pamoja na mashirikiano na Serikali ya Mapinduzi ya Watu wa Zanzibar, uandaaji wa Siku ya Uwekezaji, na bila shaka Mkutano wetu wa Mseto (unaojumuisha mahudhurio ya mtandaoni na ukumbini) uliofanyika Mei jijini Arusha.

Mafanikio Muhimu

Chapa yetu inaamini katika kuwahamasisha wateja wetu na wenzao katika kufanikisha mambo makubwa, achilia mbali kuwa viongozi katika chochote wanachokifanya. Wazo la kuongoza lipo katika vinasaba vya watu wetu na mara nyingi huwasukuma katika ubora wao katika hali zote. Mtazamo huu uliendelea kutoa matokeo chanya mwaka wa 2021, ambapo Benki ya CRDB na kampuni zake tanzu ilisherekea ushindi kadhaa, licha ya changamoto. Baadhi ya matukio muhimu zaidi, mbali na utendaji wa kihistoria wa kifedha ni pamoja na:

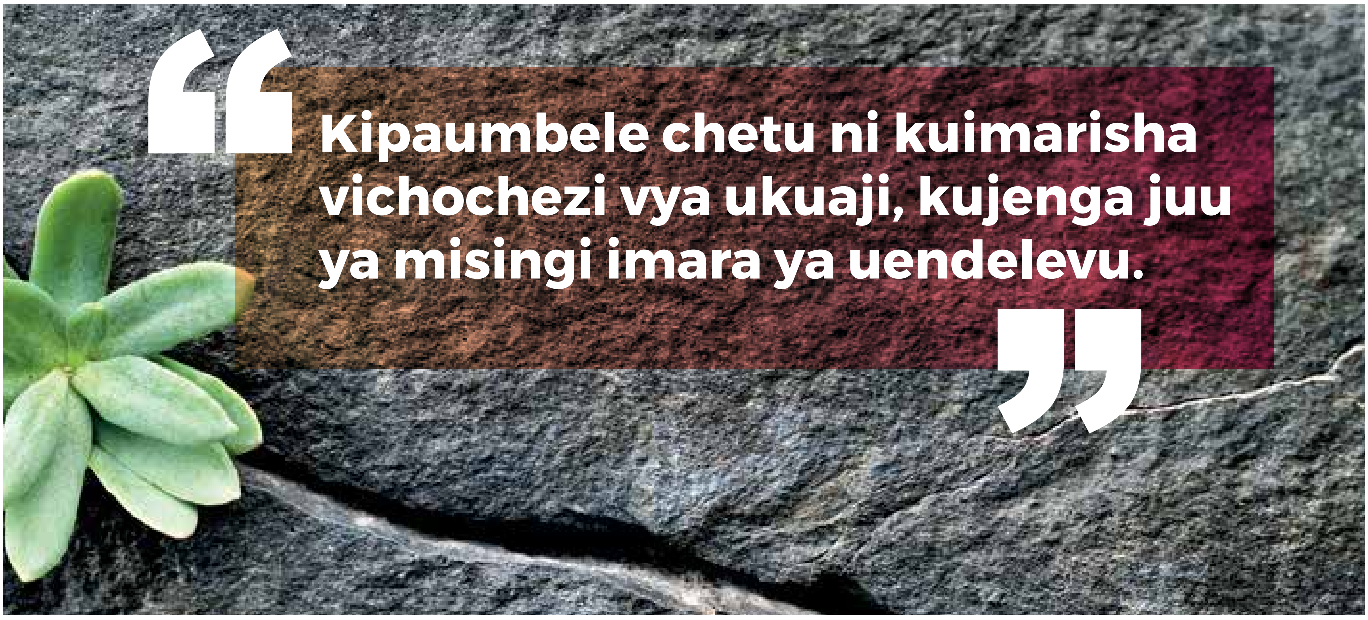
DOLA 100 Millioni	**Ufadhili wa Dola Milioni 100 kwa ajili ya Kukabiliana na Hali ya Hewa Kilimo** – Pendekezo la Mpango wa Kukabiliana na Hali ya Hewa wa Kilimo Tanzania (TACATDAP), lililowasilishwa na Benki ya CRDB kwa Mfuko wa Umoja wa Mataifa wa Hali ya Hewa ya Kijani (GCF), liliidhinishwa kufadhiliwa. Benki ya CRDB imekuwa taasisi ya kwanza ya kibiashara iliyoidhinishwa na Direct Access kuwa na pendekezo lililoidhinishwa kwa ufadhili wa dola milioni 100.
20+ zaidi ya sifa	**Zaidi ya sifa 20 za ndani, kikanda na kimataifa** - Shirika letu kilipokea tuzo mbalimbali na kutambuliwa kutoka kwa taasisi mbalimbali, mashirika ya udhibiti, na vyama vinavyosisitiza ubora wa jitihada zetu.
12+ Zaidi ya ubia	**Zaidi ya ubia wa kimkakati kumi na mbili** - tulitia saini makubaliano na washirika wakuu katika nyanja za teknolojia, mafunzo, ufadhili na usambazaji katika mwaka huo, na hivyo kuimarisha zaidi uwezo wetu wa kuwahudumia ipasavyo wateja wetu.
Shughuli 5+	**Shughuli zenye ufanisi za kijamii** - Katika mwaka huo, tulifanya mbio za marathon za kuchangisha pesa na mashindano ya kitaifa ya mpira wa vikapu. Kupitia mbio za CRDB Annual Marathon, tumeweza kusaidia Taasisi ya Moyo ya Jakaya Kikwete kufanya upasuaji wa moyo zaidi ya 400 kwa watoto wadogo wanaozaliwa na matatizo ya moyo.
Mapendekezo 4+	**Mapendekezo ya wateja wapya** - Tulizindua mapendekezo mbalimbali ikiwa ni pamoja na benki za Kiislamu, ufadhili wa mizigo kutoka nje na biashara ya Dirham.
Mabadiliko 360⁰	**Mabadiliko ya Utamaduni** - Katika mwaka huo, tulizindua programu ya mabadiliko ya utamaduni ambayo inalenga kukuza Shirika letu kuwa Shirika la Utendaji wa Juu (HPO).
sakafu 11	**Kuhamia makao makuu mapya** - katika mwaka huo, tulifaulu kuhamisha shughuli zetu za ofisi kuu hadi kwenye ofisi zetu mpya za majengo zilizoko Upanga, Dar es Salaam. Ofisi mpya hutoa nafasi ya kazi ya kisasa ambayo itahamasisha ubunifu na uvumbuzi.

Kuwekeza katika rasilimali watu

Kuvutia na kudumu na wafanyakazi wenye talanta bora zaidi sokoni inasalia kuwa kipaumbele chetu. Hii ndiyo sababu tunaendelea kutafuta njia za kuboresha ustawi wa wafanyakazi wetu na kuweka mazingira bora ambayo yanachangia uvumbuzi. Katika mwaka wa fedha wa mapitio, tulipiga hatua katika kuwawezesha watu wetu kupitia mafunzo maalum na motisha. Kipekee, tulianzisha kambi za masuala ya ustawi wa afya ya wafanyakazi na kuandaa mashindano kati ya idara na kanda ili kukuza mahusiano ya wafanyikazi na kuboresha ustawi wao wa kimwili na kiakili. Katika kujenga uwezo wa wafanyakazi, tulijiunga na jukwaa bora zaidi la kujifunza mtandaoni, Udemy (programu ya kujifunza inayotambulika kimataifa) ili kukuza kujifunza binafsi na kuharakisha uwezo mkubwa wa kiutendaji. Pia tulianzisha mipango ya kimkakati ya wafanyakazi na kutumia wafanyakazi kutoka kampuni baki katika maeneo maalum ya mauzo ya moja kwa moja, ukuzaji wa biashara na ugavi.

Kuyafikia mafanikio bora ya uendeshaji

Tunaendelea kutambua kwamba ili tuwe na mafanikio endelevu, ni lazima tufikie ubora katika shughuli zetu, hasa katika



muktadha wa mabadiliko yanayotokea sokoni. Jambo lililozingatiwa kwetu katika mwaka wa fedha wa 2021 lilikuwa kuboresha rasilimali ili kushughulikia udhibiti wa gharama. Nafurahi kuripoti kwamba mipango yetu ya kudhibiti gharama ilileta matokeo mazuri ambayo yamesababisha ufanisi kuboreshwa kama utakavyoona katika kurasa za mbele za ripoti hii ya mwaka.

Katika mwaka wa mapitio, tulifanya uwekezaji mkubwa katika kuimarisha uwezo wetu wa TEHAMA na kujenga mazingira thabiti ya teknolojia ili kusaidia ukuaji. Mafanikio makuu katika mwaka huo yalijumuisha kuanzisha uwekaji wa mfumo mkuu wa benki mpya na kukamilika kwa mifumo kadhaa muhimu. Kimkakati, tulianza kutumia muundo wenye kulenga zaidi huduma (Service-Oriented Architecture), ambao uliongeza msukumo katika juhudi zetu za kuboresha uzoefu wa wateja. Kwa upande wa utawala, tuliboresha uwezo wetu wa usalama wa mtandao, kutokana na kuibuka kwa vitisho vya mtandaoni ambavyo vingine vimezidishwa na janga la UVIKO-19.

Tunaendelea kuongeza matumizi ya teknolojia katika utendaji wa kazi ili kuboresha utoaji wetu wa huduma na kuhakikisha tunaondoa changamoto katika huduma zote. Pia tumeiwezesha timu yetu ya kituo cha huduma kwa wateja ili kuboresha uzoefu wa wateja wetu.

Mtazamo wa Siku za Usoni

Mwaka wa fedha wa 2022 ni mwaka wa mwisho wa mkakati wetu wa muda wa kati na kama inavyotarajiwa, ni lazima tufanye tathmini ya kile ambacho tumeweza kufanikiwa katika kipindi chote cha mkakati. Kipaumbele chetu ni kuimarisha vichochezi vya ukuaji na kujenga misingi imara kwa ajili ya mafanikio endelevu. Nikitazama nyuma katika mwaka wa 2021, nina hakika kusema kwamba mkakati huu wa muda wa kati umekuwa na jukumu muhimu katika kuimairisha Benki ya CRDB na kampuni zake tanzu, na umetupa msingi mzuri wa kukabiliana na siku zijazo.

Tunatambua kwamba wateja wamekuwa na ujuzi mkubwa wa kiteknolojia na kwamba wanatarajia uvumbuzi ambao utawahudumia kwa njia za kipekee na kwa ufanisi zaidi.

Mkakati wetu kama Kikundi ni kuimarisha mahusiano yetu na wateja kwa kutumia mbinu za kuchanganua data ili kuhakikisha kwamba tunatazamia na kushughulikia mahitaji yao kiupekee.

Pia tutazingatia kuridhika kwa wateja na mfanyakazi, kwa kuwa kuna ushahidi mkubwa wa kuwa makundi haya mawili yanatoa ubashiri wa mafanikio ya kifedha ya baadae.

Tunasalia kuwa na kiu ya kujenga uwezo wetu wa kuona fursa mpya zinazoibuka, iwe kupitia masoko, wateja au bidhaa. Kwa mtazamo wa kibiashara, tutaweka mkazo katika mnyororo wa thamani kutoka kwa sekta zinazoibuka nchini ili kukuza biashara. Kwa upande wa ndani ya taasisi, tutaendelea kuyapa kipaumbele maeneo yenye athari kubwa na kuendeleza mipango ya kudhibiti gharama ili kuboresha ufanisi. Pia tunapanga kuharakisha ukamilishaji wa mifumo muhimu ya TEHAMA na miradi ya mageuzi ya kidijitali ili kuimarisha utoaji wa huduma.

Juhudi zetu za upanuzi wa mtandao kikanda bado ziko katika hatua nzuri na kuelekea 2022, tunatarajia kukamilisha uanzishwaji wa kampuni tanzu kwenye Jamuhuri ya Kidemokrasia ya Kongo na kuzindua shughuli za uendeshaji ndani ya nusu ya pili ya mwaka. Tayari, tumepata idhini zote zinazohitajika kutoka pande zote mbili na tuko tayari kutazama fursa zinazotolewa na soko lililotanuka. Kiutawala, tayari tumeajiri Mkurugenzi Mtendaji wa kampuni tanzu, kufuatia mchakato wenye ushindani ulioendeshwa ndani ya robo ya nne ya 2021.

Utekelezaji wa mpango wa mabadiliko ya utamaduni wa kampuni ndio msingi wa mkakati wetu kwa sababu tunaelewa thamani ya kuwa na nguvu kazi yenye hamasa na inayohusishwa katika uendeshaji. Tuna mpango madhubuti wa kuongeza ujuzi ambao tunaamini utatupa nguvu zinazohitajika kwa ustawi wa muda mrefu.

Shukrani

Mafanikio yaliyoripotiwa katika mwaka wa fedha wa 2021 yanaonyesha thamani ya ushirikiano wa timu na lengo la pamoja. Nina deni kubwa kwa timu nzima ya Benki ya CRDB, nikianzia na wafanyakazi wetu, ambao wamekuwa wastahimilivu katika kukabiliana na changamoto. Pia ninaishukuru Bodi yetu ya Wakurugenzi kwa mchango wake thabiti, na hasa katika uongozi na weledi ambao umetuongoza kupata matokeo mazuri. Ninatambua usaidizi unaotolewa na washirika wa kimfumo, wakiwemo mawakala wetu wa CRDB Wakala, watoa huduma na wazabuni.

Muhimu zaidi, ninawashukuru wateja wetu ambao wametupa fursa adhimu ya kuwahudumia. Tumebahatika kufanya kazi na makundi mahiri ya wateja, ambao ni wajenzi halisi wa taifa letu. Nawashukuru pia wadau wetu wa nje akiwemo mdhibiti wa sekta, Benki Kuu ya Tanzania (BOT), Serikali ya Jamhuri ya Muungano wa Tanzania, na tawala za kisiasa katika masoko tunayofanya biashara.

Abdulmajid Nsekela
Afisa Mtendaji Mkuu

Group CFO's Statement

The 2021 FY was the fourth year of our five-year strategy, designed to transform CRDB Bank Group into a high-performance organization. The strategic ambitions remained the driving force for the Group, despite the external pressures exacerbated by the pandemic. During the year, the Group fared well in implementing the medium-term strategy, and in achieving the year's performance targets. As expected, the 2021 rolled over hangovers from the COVID-19 shockwaves and we continued to witness sustained changes in both consumer behavior and spending priorities.

The global vaccination campaigns, which meant to mitigate the spread of COVID-19 variants, and the subsequent relaxation of restrictions, fueled a gradual recovery in the world economy. The impact was felt in the markets we operate in, with the corresponding recovery in various sectors such as tourism and trade. The Group leveraged the lessons from the pandemic and continued to focus on customers' needs to help them recover fully from the impact of COVID-19. Strategically, the Group adapted its operating model to the dynamic environment to drive efficiency and foster resilience. We also reviewed/adjusted our risk management thresholds to reflect the broader economic changes and gave greater attention to more challenged customer segments.

Performance Overview

The Group achieved remarkable growth in the year, underlined by strong balance sheet growth and robust income pipelines. Group Profit After Tax (PAT) grew by 62.3% to TZS 268.2 billion, from TZS 165.2 billion reported in 2020. This is the highest profit reported in the history of the Group and highlights the value of the sustained reforms that the bank has undertaken over the last three years. It also validates the Group's strategic theme for the year - 'break the barriers, build efficiencies' - in which we set out to address performance gaps and enhance portfolio quality to sustain growth.

Subsidiaries continued to record positive contributions to the Group's performance, with Burundi posting a PAT of TZS 12.8 billion, representing a 14.2%YoY growth. The subsidiary's assets grew by 57.0% YoY to TZS 551.1 billion. Total deposits grew by 65.8% YoY to TZS 329.4 billion. The insurance subsidiary reported a 76.3% decline in PAT to TZS 0.8 billion, mainly due to a slowdown in brokerage business resulting from the consolidation of the bancassurance business to the parent company.

Summary of key performance indicators

Amount in TZS Billion	2021	2020	% Change
Total Assets (TZS)	**8,817.6**	7,170.5	23.0%
Shareholders' funds	**1,219.3**	1,011.0	20.6%
Profit After Tax	**268.2**	165.2	62.3%
Return on Equity	**22.0%**	16.3%	35.0%
Return on Assets	**4.4%**	3.3%	25.7%
Cost to income ratio	**55.3%**	61.6%	(10.2%)

Operating income

Total operating income before impairment charges increased by 14.3% YoY to TZS 924.0 billion from TZS 808.7 billion recorded in 2020. The growth resulted from an 11.3% increase in net interest income, emanating from good growth in retail loans and advances.

Amount in TZS Billion	2021	2020	% Change
Interest Income	**790.4**	699.3	13.0%
Interest Expense	**(144.6)**	(118.8)	21.7%
Net Interest Income	**645.9**	580.5	11.3%

The Group's investment in technology, especially towards the enhancement of service paid off with notable growth in non-funded income from fees and commissions. As at the end of the reporting year, the Group's Non-Interest Income registered an 24.4% growth, buoyed by loan-related fees and transaction income from the SimBanking service. The latter was shored by volumes as customers increasingly opt to use alternative channels to transact. The SimBanking service gained traction during the year following a refresh done to improve user experience. There was also some significant income realized from selling Government securities designated as 'available-for-sale'. We will continue to make strategic investments in ICT to ensure we achieve a maturity level that supports our long-term ambitions as a Group. From a sustainability perspective, the enhanced digital and IT capabilities have enabled us to automate processes and boost efficiency, thereby reducing costs as reflected in the CIR trend reported in this Annual Report.

Operating Expenses

The pandemic brought to the fore the real value of building organizational resilience to ensure sustainability, especially in the context of the prevailing uncertainties. For our Group, resilience is reflected in the investments decisions we make, the way we run our business and the way we treat our people. Our strategy is clear on how the three aspects above are to be approached. Regarding the way we run our business, the strategy envisages an efficient model that delivers optimal value.

During the year, the Group accelerated the implementation of strategic initiatives to optimize costs. Priority was to increase productivity and reduce our costs of operations. The Group's operating expenses grew marginally by 3% to TZS 513.3 billion from TZS 499.5 reported in 2020. The Group's efficiency ratio improved significantly to close at 55.3% from 61.6% reported in 2020. This ratio was achieved against the background of a directive Bank of Tanzania issued in Q1 of 2021, requiring banks to maintain a CIR of below 55% by end of 2022.

61.6%

55.3%

Priority was to increase productivity and reduce our costs of operations.

Strong Balance Sheet

The Group continued to record strong balance sheet growth with a YoY expansion of 23.0% from TZS 7.2 trillion in 2020 to TZS 8.8 trillion. The growth was funded by a 19.4% growth in customer deposits and a 20.6% growth in shareholders' funds. The growth was mainly contributed by the growth of corporate loans and mortgage lending. Corporate loans grew by 49% from TZS 1.5 trillion 2020 to TZS 2.2 trillion signaling the continued recovery of the economy.

The Group continued to maintain a healthy liquidity position at a ratio of 27.5% above the regulatory ratio of 20%; the loan to deposit ratio ("LDR") remained prudent at 78.8%. Strategically, we continued to improve the Group's funding mix, focusing on cheap and sticky deposits. As a result, customer deposits grew by 19.4% YoY to TZS 6.5 trillion from TZS 5.4 trillion reported in 2020.

Asset Quality

Amidst the prevailing uncertainties, the Group's priority was to maintain a healthy loan book. During the year, the group continued to implement strategic initiatives to maintain a healthy portfolio, including portfolio diversification and de-risking, and portfolio guarantees through strategic partners. Success however achieved through a strong NPL containment strategy that focused on two areas: delinquency management and recoveries; and efficient management of charged-off loans.

In managing delinquencies, the Group adopted data analytics and the use of the Early Warning System (EWS) to predict defaults. The approach was supported by aggressive recoveries, facilitated by the shift from a desk approach to field operations. Automation also played a key role, enhancing the Group's ability to serve customers with the rollout of the e-Collect system. The Group closed the year with an NPL ratio of 3.3% against a regulatory requirement of 5%. Subsequently, the NPL coverage ratio stood at 77%, well within our internal limit of 70%. We will continue to closely monitor facilities, especially for clients still recovering from the pandemic impact to ensure we consistently maintain good asset quality.

Capital Position

During the year, we continued to focus on prudent capital management; selective growth of portfolio with high-yield and lower Risk-Weighted, and de-risking to ensure optimal capital utilization. Despite the challenges experienced in the year, the Group remained well-capitalized and maintained healthy buffers above the minimum regulatory requirements.

Both Core and Total Capital ratios stood at 20.0%, which is well above the minimum regulatory requirement of 12.5% and 14.5% for Tier I and Tier II, respectively. This was mainly due to improved performance coupled with the relief from BOT concessions on RWA with 3.1% on CAR provided during the third quarter. The Group will continue de-risking strategies, including replacing maturing subordinated debts and engaging rated institutions for portfolio guarantees.

Looking ahead

The ongoing efforts to combat the pandemic, including the widespread vaccination programs, provide a positive outlook on the business environment going into 2022. The Group's priority is to accelerate the achievement of the strategy by addressing all performance gaps and optimizing productivity.

We expect that recent concessional loans from international lenders, alongside the central bank's stimulus package will improve liquidity in the market and increase business opportunities.

With the projected economic growth, stemming from renewed investor confidence and a possible increase in FDI flow, we will continue to position ourselves in a vantage position to grab opportunities that will emerge in the market.

The Group's position remains strong, with asset growth, a balanced operating budget and a solid cash position. These strengths are all reflected in our credit ratings being reaffirmed with Moody's Investor Service at B1 stable outlook. This leaves us in a secure position - as we move forward into the 2022 financial year, the final of the five-year strategy.

Frederick Nshekanabo
Chief Financial Officer

Taarifa ya Afisa Mkuu wa Fedha

Mwaka wa 2021 ulikuwa mwaka wa nne wa mkakati wetu wa miaka mitano, ulioundwa kuibadilisha Benki ya CRDB na kampuni zake tanzu kuwa taasisi yenye utendaji wa hali ya juu. Matarajio ya kimkakati yalibaki kuwa nguvu ya kuendesha taasisi, licha ya shinikizo la nje lililochangiwa na janga la UVIKO-19. Katika mwaka wa mapitio, Benki ya CRDB na kampuni zake tanzu ilifanya vyema katika kutekeleza mkakati wa muda wa kati na katika kufikia malengo ya mwaka ya kiutendaji. Kama ilivyotarajiwa, mwaka wa 2021 ulibeba athari zilizosababishwa na janga la UVIKO-19 na tuliendelea kushuhudia mabadiliko endelevu katika tabia ya wateja na vipaumbele vya matumizi.

Kampeni za kimataifa za chanjo, zilizolenga kupunguza kuenea kwa UVIKO-19 na kulegezwa kwa masharti ya kujikinga, kulichochea ahueni ya hali ya uchumi wa dunia. Matokeo yalionekana katika masoko tunayofanya biashara, na ahueni pia ilionekana katika sekta mbalimbali kama vile utalii na biashara. Tulijifunza kutokana na janga hili na kuendelea kuzingatia mahitaji ya wateja ili kuwasaidia kurejea kikamilifu katika hali ya kawaida baada ya athari za UVIKO-19. Kimkakati, Benki ya CRDB na kampuni zake tanzu ilianza kutumia muundo wa uendeshaji kuendana na mazingira yanayobadilika ili kupata ufanisi na kustahimili hali ya soko. Pia tulipitia na kurekebisha viwango vyetu vya udhibiti wa hatari ili kuakisi mabadiliko mapana ya kiuchumi na kuweka mkazo wa makundi ya wateja yenye changamoto zaidi.

Muhtasari wa Utendaji

Benki ya CRDB na kampuni zake tanzu ilipata ukuaji uliotukuka katika mwaka wa mapitio, unaoakisiwa na ukuaji mkubwa wa mizania na vyanzo thabiti za mapato. Faida baada ya Kodi (PAT) iliongezeka kwa 62.3% hadi Sh. 268.2 bilioni, kutoka Sh. 165.2 bilioni iliyoripotiwa mwaka 2020. Hii ndiyo faida kubwa zaidi iliyowahi kuripotiwa katika historia yetu na inatoa taswira ya thamani ya mageuzi endelevu ambayo benki imefanya katika kipindi cha miaka mitatu iliyopita. Pia inatoa uhalali wa kauli mbiu yetu ya kimkakati kwa mwaka - 'vunja vizuizi, jenga ufanisi' - ambapo tulidhamiria kushughulikia mapungufu ya utendaji na kuimarisha ubora wa biashara yetu ili kuendeleza ukuaji.

Kampuni tanzu ziliendelea kurekodi michango chanya katika matokeo ya utendaji, huku kampuni tanzu ya Burundi ikirekodi faida baada ya kodi ya Sh. 12.8 bilioni, ikiwa ni ukuaji wa 15.3% kutoka Sh 11.1 billioni iliyoripotiwa mwaka 2020. Mali za kampuni tanzu zilikua kwa 57.0% hadi Sh. 551.1 bilioni. Jumla ya amana zilikua kwa 65.8% hadi Sh. 329.4 bilioni. Kampuni tanzu ya bima iliripoti kushuka kwa faida baada ya kodi kwa asilimia 76.8 hadi Sh. 0.8 bilioni, kutokana na kuhamishwa kwa biashara ya udalali wa bima kwenda kwenye kampuni mama, jambo lililosababishwa na uimarishaji wa biashara ya bima kupitia kwa kampuni mama.

Muhtasari wa viashiria muhimu vya utendaji

Kiasi cha TZS Bilioni	2021	2020	% Mabadiliko
Jumla ya Mali	**8,817.6**	7,170.5	23.0%
Fedha za wanahisa	**1,219.3**	1,011.0	20.6%
Faida Baada ya Ushuru	**268.2**	165.2	62.3%
Mrejesho wa mtaji	**22.0%**	16.3%	35.0%
Mrejesho wa Mali	**4.4%**	3.3%	25.7%
Uwiano wa gharama kwa mapato	**55.3%**	61.6%	(10.2%)

Mapato ya uendeshaji

Jumla ya mapato ya uendeshaji kabla ya gharama za tengo la mikopo chechefu yaliongezeka kwa 14.3% hadi Sh. 924.0 bilioni kutoka TZS 808.7 bilioni mwaka 2020. Ukuaji huo ulitokana na ongezeko la 11.3% la mapato halisi ya riba, iliyotokana na ukuaji mzuri wa mikopo ya reja reja na malipo ya awali.

Kiasi cha TZS Bilioni	2021	2020	% Mabadiliko
Mapato ya Riba	**790.4**	699.3	13.0%
Gharama ya Riba	**(144.6)**	(118.8)	21.7%
Mapato Halisi	**645.9**	580.5	11.3%

Uwekezaji wa Benki ya CRDB na kampuni zake tanzu katika teknolojia, hasa katika uimarishaji wa huduma ulizaa matunda kwa ukuaji unaoonekana katika mapato yasiyofadhiliwa kutokana na ada na kamisheni. Kufikia mwisho wa mwaka wa mapitio, Mapato yasiyo ya riba yalisajili ukuaji wa 24.4%, uliochochewa na ada zinazohusiana na mikopo na mapato ya miamala kutoka kwa huduma ya SimBanking. Miamala ya SimBanking iliongezeka wingi kwa kuwa wateja walizidi kuchagua kutumia njia mbadala kufanya miamala. Huduma ya SimBanking ilipata mvuto zaidi kwa watumiaji katika mwaka huo kufuatia uboreshaji uliofanywa ili kuboresha uzoefu wa mtumiaji. Pia kulikuwa na mapato makubwa yaliyopatikana kutokana na kuuza dhamana za Serikali zilizoainishwa kama 'zinazopatikana kwa mauzo'. Tutaendelea kuwekeza kimkakati katika TEHAMA ili kuhakikisha tunafikia kiwango cha ukomavu ambacho kitaendana na matarajio yetu ya muda mrefu. Kwa mtazamo wa ukuaji endelevu, uwezo ulioimarishwa wa kidijitali na TEHAMA umetuwezesha kufanya utendaji wetu kidigitali na kuongeza ufanisi, na hivyo kupunguza gharama kama inavyoonyeshwa katika mwelekeo wa CIR ulioripotiwa katika Ripoti hii ya Mwaka.

Gharama za Uendeshaji

Janga la UVIKO-19 limeweka mbele thamani halisi ya kujenga taasisi yenye kuhimili mabadiliko ya soko ili kuhakikisha kunakua na ukuaji uendelevu. Kwa Benki ya CRDB na kampuni zake tanzu, ustahimilivu wetu unaonyeshwa katika maamuzi ya uwekezaji tunayofanya, jinsi tunavyoendesha biashara yetu na jinsi tunavyowatendea watu wetu. Mkakati wetu uko wazi juu ya jinsi vipengele vitatu hapo juu vinapaswa kushughulikiwa. Kuhusiana na jinsi tunavyoendesha biashara yetu, mkakati unalenga muundo bora ambao hutoa thamani bora.

Katika mwaka wa mapitio, Benki ya CRDB na kampuni zake tanzu iliharakisha utekelezaji wa mipango ya kimkakati ili kupata uwiano mzuri wa gharama. Kipaumbele kilikuwa kuongeza tija na kupunguza gharama zetu za uendeshaji. Gharama za uendeshaji ziliongezeka kidogo kwa asilimia 3 hadi Sh. 513.3 bilioni kutoka Sh. 499.5 zilizoripotiwa mwaka 2020. Uwiano wa ufanisi uliimarika kwa kiasi kikubwa hadi kufikia 55.3% kutoka 61.6% iliyoripotiwa mwaka 2020. Uwiano huu ulifikiwa kutokana na agizo la Benki Kuu ya Tanzania lililotolewa katika robo ya kwanza ya 2021, lililozitaka benki kudumisha uwiano wa gharama na mapato (CIR) ya chini ya 55% kufikia mwisho wa mwaka 2022.

61.6%

55.3%

Kipaumbele kilikuwa kuongeza tija na kupunguza gharama za uendeshaji.

Mizania Imara

Benki ya CRDB iliendelea kurekodi ukuaji mkubwa wa mizania na upanuzi wa 23.0% kutoka Sh. 7.2 trilioni mwaka 2020 hadi Sh. 8.8 trilioni. Ukuaji huo ulifadhiliwa na ukuaji wa 19.4% wa amana za wateja na ukuaji wa 20.6% wa fedha za wanahisa. Ukuaji huo ulichangiwa zaidi na ukuaji wa mikopo ya mashirika na mikopo ya nyumba. Mikopo ya mashirika ilikua kwa 49% kutoka Sh. 1.5 trilioni 2020 hadi Sh. 2.2 trilioni kuashiria kuendelea kuimarika kwa uchumi.

Benki ya CRDB na kampuni zake tanzu iliendelea kudumisha hali nzuri ya ukwasi kwa uwiano wa 27.5% juu ya uwiano wa unaotakiwa na mdhibiti wa sekta wa 20.0%; uwiano wa mkopo kwa amana ("LDR") ulisalia kuwa 78.8%. Kimkakati, tuliendelea kuboresha mchanganyiko wa upatikanaji wa amana, tukizingatia amana za bei nafuu na zenye kukaa muda mrefu. Kutokana na hali hiyo, amana za wateja zilikua kwa 19.4% hadi Sh. 6.5 trilioni kutoka Sh. 5.4 trilioni zilizoripotiwa mwaka 2020.

Ubora wa Mali

Kwenye hali ya sintofahamu iliyokuwepo, kipaumbele kilikuwa ni kudumisha kitabu cha mkopo chenye hali nzuri. Katika mwaka wa mapitio, tuliendelea kutekeleza mipango ya kimkakati yenye lengo la kudumisha hali nzuri ya kitabu cha mikopo, ikijumuisha kutoa mikopo katika sekta tofauti tofauti, kupunguza viashiria vya hatari ya mikopo na dhamana za kupitia washirika wa kimkakati. Mafanikio hata hivyo yalipatikana kupitia mkakati thabiti wa kuzuia mikopo chechefu ambao ulilenga maeneo mawili: usimamizi wa uchelewaji wa marejesho ya mikopo na urejeshaji wa mikopo; na usimamizi mzuri wa mikopo iliyofutwa.

Katika kudhibiti uchelewaji wa marejesho ya mikopo, Benki ya CRDB na kampuni zake tanzu ilipitisha uchanganuzi wa data na matumizi ya Mfumo wa Tahadhari ya Mapema (EWS) kubashiri mikopo isiyolipika. Mbinu hiyo ilipewa nguvu na ufuatiliaji wa karibu wa marejesho uliowezeshwa na kuhama kutoka kwa mbinu ya kufatilia marejesho kutokea ofisini na kufatilia marejesho katika maeneo ya wakopaji. Matumizi ya teknolojia pia yalichangia kwa kiwango kikubwa kuimarisha uwezo wa kuhudumia wateja kwa kutumia mfumo wa e-Collect. Tulifunga mwaka kwa uwiano wa mikopo chechefu wa 3.3% dhidi ya kiwango cha mdhibiti wa sekta cha 5%. Baadaye, uwiano wa kiasi cha mikopo chechefu ulifikia 77.0%, ikiwa ndani ya kikomo chetu cha 70%. Tutaendelea kufuatilia kwa karibu mikopo, haswa kwa wateja ambao bado wanaendelea kurejea katika hali ya kawaida baada ya madhila ya janga la UVIKO-19 ili kuhakikisha tunadumisha ubora wa mali.

Nafasi ya Mtaji

Katika mwaka wa mapitio, tuliendelea kuzingatia usimamizi makini wa mtaji; ukuaji wa kuchagua wa biashara yenye mapato mengi huku ikiwa na hatari ndogo, na kupunguza hatari kwa ujuma ili kuhakikisha matumizi bora ya mtaji. Licha ya changamoto zilizojitokeza katika mwaka wa mapitio, Benki ya CRDB na kampuni zake tanzu ilibaki na mtaji uliotosheleza na kudumisha viwango vya mtaji zaidi ya mahitaji ya chini ya mdhibiti wa sekta.

Uwiano wa Mtaji wa Msingi na Mtaji wa Jumla uliripotiwa kuwa 20.0%, ambayo ni juu ya mahitaji ya chini ya mdhibiti wa sekta ya 12.5% kwa benki ya Daraja la I na 14.5% kwa benki Daraja la II. Hii ilitokana hasa na utendaji ulioboreshwa pamoja na unafuu kutoka kwa BOT kwenye RWA na 3.1% kwenye CAR iliyotolewa katika robo ya tatu. Tutaendelea na mikakati ya kuondoa hatari, ikiwa ni pamoja na kuchukua nafasi ya madeni yaliyofikia muda wake na kushirikisha taasisi zilizothibitishwa kwenye masuala ya dhamana.

Mtazamo wa Siku za Usoni

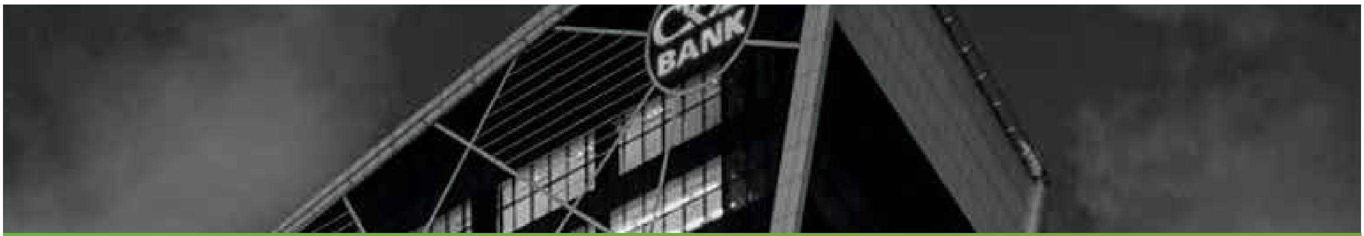
Juhudi zinazoendelea za kukabiliana na janga la UVIKO-19, ikiwa ni pamoja na mipango iliyoenea ya chanjo, hutoa mtazamo chanya juu ya mazingira ya biashara kuelekea 2022. Kipaumbele cha Benki ya CRDB na kampuni zake tanzu ni kuharakisha mafanikio ya mkakati kwa kushughulikia mapungufu yote ya utendaji na kuongeza tija.

Tunatarajia kwamba mikopo ya masharti nafuu ya hivi karibuni kutoka kwa wakopeshaji wa kimataifa, pamoja na mchango wa Benki Kuu itaboresha ukwasi katika soko na kuongeza fursa za biashara.

Kwa makadirio ya ukuaji wa uchumi, unaotokana na imani mpya ya wawekezaji na ongezeko linalowezekana uwekezaji wa moja kwa moja kutoka nje FDI, tutaendelea kujiweka katika nafasi nzuri ya kunyakua fursa zitakazojitokeza kwenye soko.

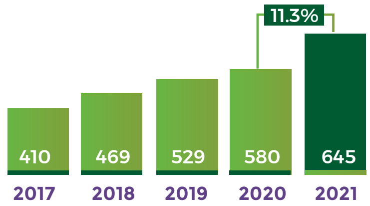
Nafasi ya Benki ya CRDB na kampuni zake tanzu sokoni bado ni thabiti, ikichangiwa na ukuaji wa mali, bajeti ya uendeshaji yenye uwiano na nafasi nzuri ya upatikanaji wa fedha taslimu. Uimara huu unaonekana katika viwango vya tathmini ya mikopo inayofanywa na Taasisi ya Moody iliyotupa daraja la uimara wa B1. Hii inatuweka katika hali salama - tunaposonga mbele kuelekea mwaka wa fedha wa 2022 ambao ni wa mwisho katika mkakati wa miaka mitano.

Frederick Nshekanabo
Afisa mkuu wa Fedha



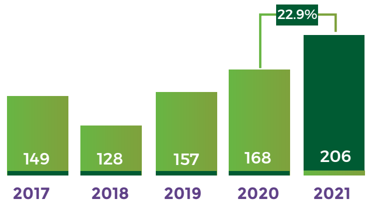
5-YEAR PERFORMANCE HIGHLIGHTS

NET INTEREST INCOME



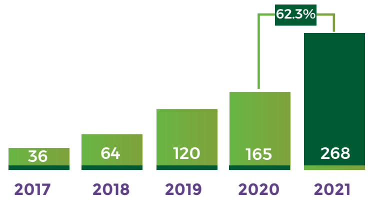
(Amount In TZS Billion)

NET FEES AND COMMISSIONS



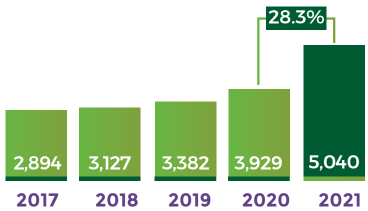
(Amount In TZS Billion)

NET PROFIT AFTER TAX



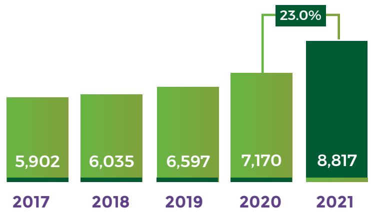
(Amount In TZS Billion)

LOANS AND ADVANCES



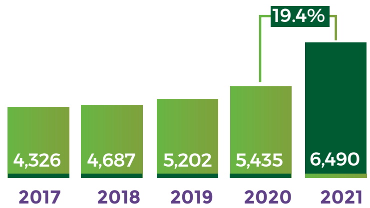
(Amount In TZS Billion)

TOTAL ASSETS



(Amount In TZS Billion)

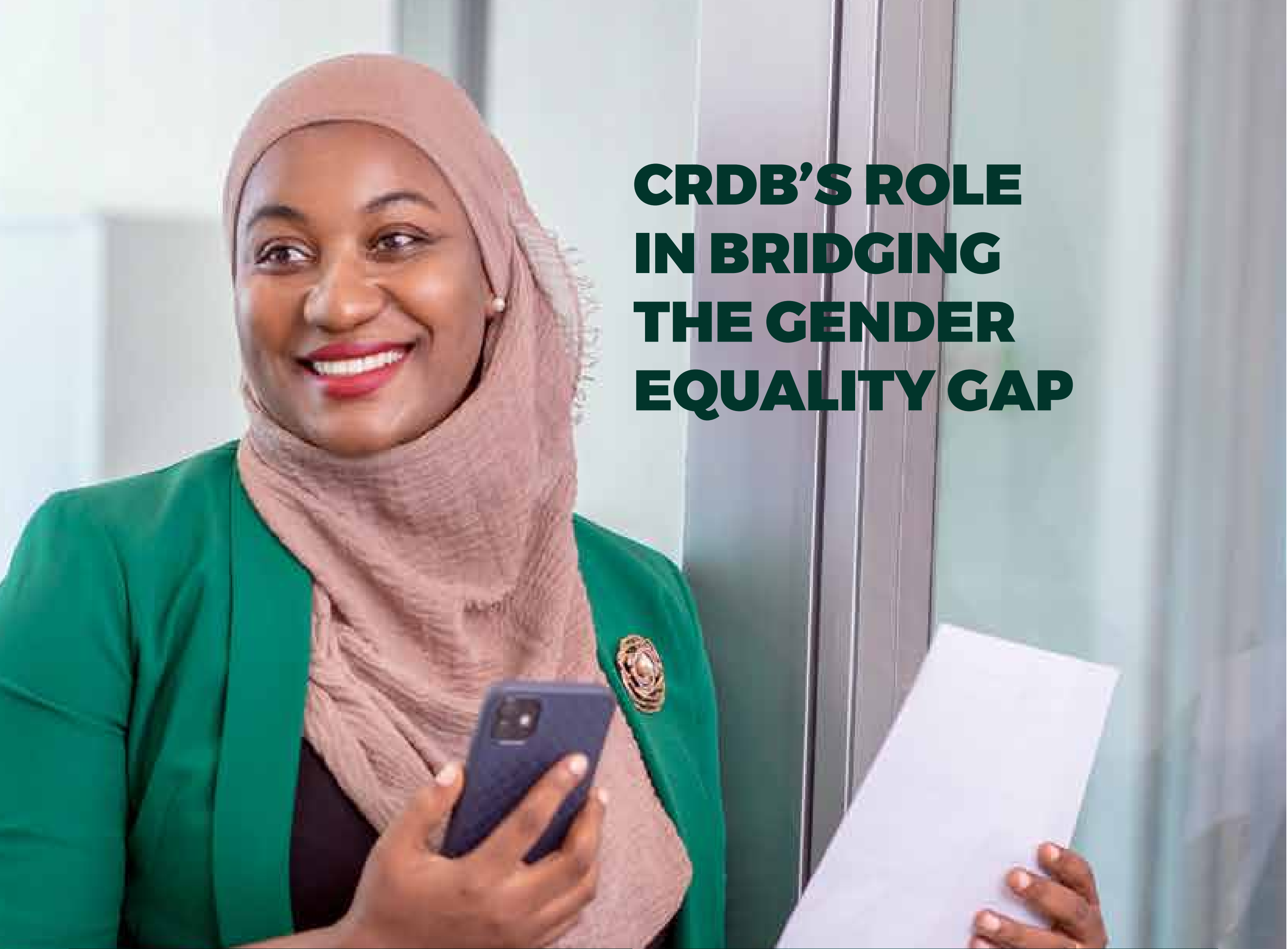
DEPOSITS



(Amount In TZS Billion)

	2017	2018	2019	2020	2021
Net interest income	409,716	468,545	529,086	580,480	645,875
Impairment of financial assets	153,374	115,323	91,503	74,462	23,255
Net fees and Commissions	149,298	128,064	156,564	167,659	206,057
Net Foreign exchange income	37,351	31,326	38,660	36,721	37,768
Operating income	606,416	642,666	733,134	735,635	900,175
Operating expenses	399,464	428,880	466,946	499,466	513,349
Net income	36,212	64,132	120,145	165,186	268,161
Loans and Advances	2,893,838	3,126,733	3,382,024	3,926,096	5,040,368
Total assets	5,901,608	6,035,387	6,597,248	7,170,472	8,817,559
Total deposits	4,325,871	4,687,174	5,202,247	5,434,647	6,489,614
Shareholders' funds	733,460	773,620	873,069	1,010,964	1,219,328
Non-performing loans and advances	393,295	282,084	200,577	177,900	175,090

Key ratios					
Earnings per share	13.9	24.6	46	63.2	102.67
ROA	0.9%	1.6%	2.6%	3.3%	4.4%
ROE	4.9%	8.3%	13.8%	16.3%	22.0%
Cost to Income ratio	66.7%	66.7%	64.4%	61.6%	55.3%
Non-funded income/ Total income	33.9%	27.1%	31.0%	31.8%	28.3%
Net profit margin	6.0%	10.0%	16.4%	20.4%	29.8%
Capital/assets	12.4%	12.8%	13.2%	14.1%	13.8%
Capital/ Deposits	17.0%	16.5%	16.8%	18.6%	18.8%
Loans/ Total Deposits	66.9%	66.7%	68.1%	75.0%	78.8%
NPL/ Total Loans	12.6%	8.5%	5.5%	4.4%	3.3%



CRDB'S ROLE IN BRIDGING THE GENDER EQUALITY GAP

Closing the gender gap still remains a priority as the 2030 agenda for the UN, in attaining gender equality and the empowerment of all women and girls. Being the 5th sustainable development Goal, and even 26 years post the Beijing Declaration and Platform for Action, the journey of attaining a gender-equal world lingers.

Former United Nations Secretary-General, the late Kofi Annan once said "gender equality is more than a goal in itself. It is a precondition for meeting the challenge of reducing poverty, promoting sustainable development, and building good governance."

The attainment of a more equitable society and narrowing gender differences are two issues that are drawing considerable attention from policymakers in several countries. There is also increasing recognition that the pursuit of these two objectives is not just desirable from a social equity perspective, but that it would have beneficial effects on the macroeconomy.

CRDB Bank Group embraces the perspective of the Late Kofi Annan on addressing gender equality, especially within its operations; Staff, business segments and the community that it serves. As a Group, we believe there's a link between income inequality and growth, as well as female labour force participation and its link to the overall economy.

In emerging markets and low-income countries, inequality of opportunity, in particular gender gaps in education and health, appear to pose the main obstacle to more equal income distribution. Aspiring for equality of opportunities and removing obstacles that prevent women from reaching their full economic potential would give them the option to become economically active should they so choose.

CRDB Bank group believes that working toward gender equity and increasing female economic participation will result in higher growth, more favourable development outcomes, and lower-income inequality. CRDB Bank believes in implementing programs that promote gender diversity within its operations and developing products that foster access to finance and financial inclusion of women.

Since 2018, the Group has integrated the diversity and inclusion policy in its operations to ensure that we promote a diverse and inclusive environment, responsive of all cultures. Internally, there is a dedicated women-driven Program named the SHE Program, designed to empower and capacitate female Staff, with necessary skills are capabilities to enable them to make an impact in all spheres of life. From a commercial standpoint, the Group has a robust value proposition for women, comprising tailored products; designed to empower women to access finance and support entrepreneurs contribute to the economic development. We have also aligned our CSI to the UN SDG's of gender, health, education and green climate which focus on creating a socio-economic prosperity.

Natasha Ng'wanakilala
Strategic Alignment Specialist

ABOUT AL BARAKAH

CRDB Al Barakah is a Shariah Compliant cheque account, designed to facilitate payments. Withdrawals are made on demand or on instruction by a customer to the bank to make payments on his/her behalf and as per the instructions.

KEY FEATURES:

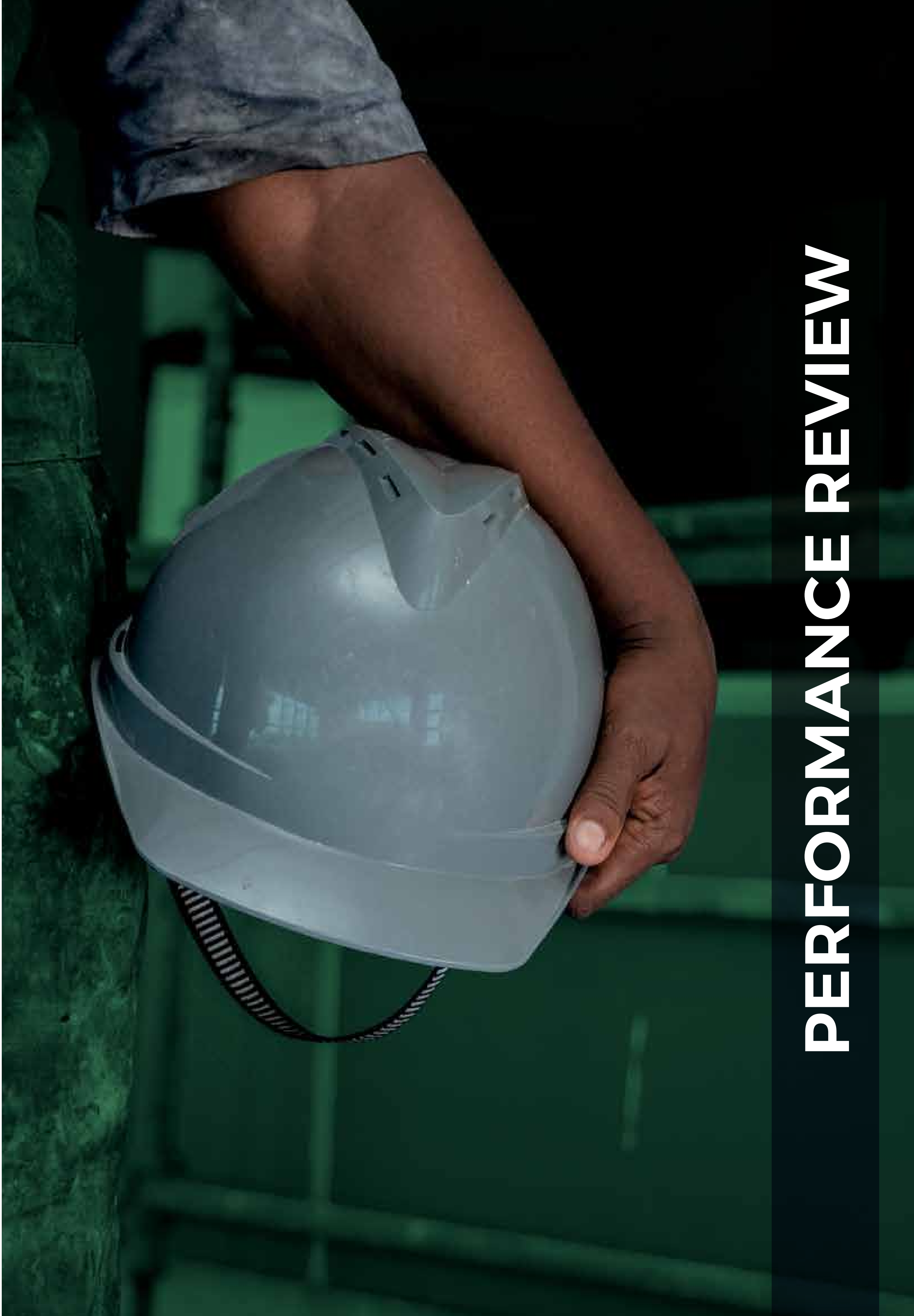
- Underlying Contract is Qardh.
- Account can be opened and operated in TZS/USD/EURO/GBP
- Minimum opening balance is TZS 100,000 or USD/EUR/GBP 100

BENEFITS

Shariah Compliant i.e., funds are not channelled into impermissible activities.
Account is eligible to Cheque book & internet banking to facilitate payments
TemboCard Visa / MasterCard can be issued where mandates allow for single signatories

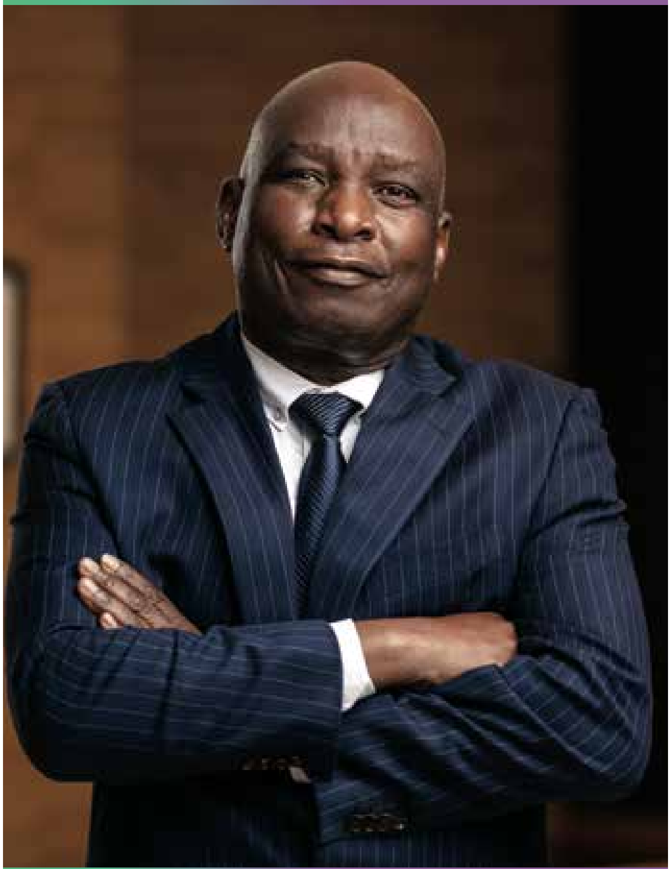
REQUIREMENTS

- Any Legal ID (NIDA ID or Number/Voter ID/Passport/Driving License)
- Low risk individual customers and customers using NIDA ID are not supposed to provide introduction letter from VEO/WEO
- When opening accounts through Savvy Flow, customer should provide 2 Passport size photos



PERFORMANCE REVIEW

COMMERCIAL REPORT



Dr. Joseph Witts
Chief Commercial Officer

Sustaining support to our customers to fuel recovery

Amid every crisis lies an opportunity. For our Group, the 2021 financial year provided a clearer perspective of the opportunities within the global health crisis and helped us adapt our strategies to the prevailing changes.

Our commercial strategy focused on helping our customers recover from the shockwaves of the pandemic while at the same time taking advantage of the opportunities that arose from the crisis. We used innovative approaches in dealing with customer challenges, learning from other successful markets and the experiences of 2020. A key win for us was building stronger ties with our customers during the year, which resulted in a better understanding of their unique challenges.

To best serve our customers, the Group leveraged digital technologies to deliver a superior experience. The digital transformation journey that we embarked on in 2018 continued to pay off with the accelerations that followed the crisis. We completed critical payment integrations with key service providers in the public and private sectors. The integrations simplified payments for our customers and; delivered convenience, which resulted in increased uptake of services.

Internally, we revamped our digital touchpoints, mainly the SimBanking app and the internet banking platform, providing our customers with a better experience. We undertook the upgrades based on the feedback received from users and in line with the international best practices. As a result of these improvements, we witnessed tremendous growth in revenue generated from transaction fees on SimBanking that contributed to our growth in NFIs.

Coming from a depressed economy exacerbated by COVID-19, we needed to diversify our client base to remain liquid. We made significant inroads into sectors that we previously were not keen on and explored opportunities beyond borders through strategic Non-Presence Country (NPC) desks. The strategy saw the Group net new clients, especially Oil Marketing Companies (OMCs). Establishing NPC's yielded positive results, especially with the OMCs, allowing the Group the opportunity to create business linkages with banks in the Middle East.

Executing an aggressive sales strategy made a huge difference during the year, with the commercial activations resulting in significant growth in customer accounts. By the end of the year, the Group reported a 57% growth in customer accounts - the highest growth reported in a single year.

Our Sustained investments in alternative channels continued to return positive value with notable growth in transaction volumes. During the year, the Group served an average of 2.5 million customers monthly, processing 59+million transactions and generating an income of TZS870 billion in transaction fees.
Going into 2022, we will continue to forge close ties with customers to ensure that we have a pulse of their needs in the context of the rapid changes. The Group will also continue to invest in research and development to stay ahead of the market in developing solutions and propositions that are unique and responsive.

Our Group acknowledges that we are living in an increasingly digital world, for it to stay ahead of the competition, it must innovate and provide more comprehensive services to its customers. We will dedicate a large portion of capital to funding improvements in user experience and online security.

We expect that in the coming year, the opportunities for our Group will outweigh the risks, and therefore must build the necessary enablers to power our next phase of growth.

RETAIL BANKING

Mr. Boma Raballa
Director of Retail Banking

Serving customers beyond the obvious

CRDB Bank's medium-term strategy fully acknowledges superior service as an imperative of the growth of its retail business. Coming from a challenging pandemic period, and more so in the context of the rapid changes happening around the world, we embarked on the 2021 financial year with a vision to enhance the service experience for our customers.

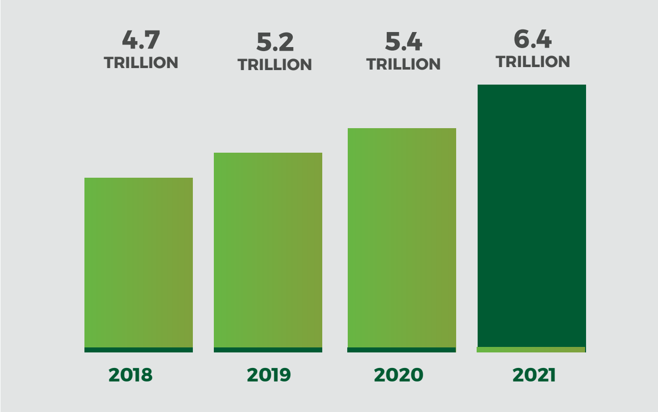
For us, customer experience, under normal circumstances, would mean making or keeping customers happy. But, in the context of the challenges posed by the pandemic, we understood it as clarity, transparency and complete support for customers on how to access and use products and services.

In line with the Group's digital transformation roadmap, we made significant investments in providing support for customer tools with which many customers are still unfamiliar. The support was extended to include products and services, with a particular focus on customers in distress and those working towards recovery. This approach paid off during the year, yielding significant success, resulting to a rise in the uptake of digital services and growth in customer deposits.

Key strategic considerations during the year centred around three main components of portfolio growth, i.e., deposit mobilisation, income generation and quality management. These three strategic thrusts were conceptualised to maintain balance sheet quality, push digital usage and optimize combined quality assurance. Deposit mobilisation is an integral consideration, especially coming from a depressed economic environment, where economic activity had been diminished by the COVID -19 pandemic.

Aggressive sales

During the year, the Group launched two strategic consumer campaigns namely; Tupo Mtaani Kwako 2 (TMK2) and 'Game of Zones', to drive recruitment of new customers and mobilize deposits. The campaigns resulted in a cumulative growth of new accounts by 57%, from 453,094 in 2020 to 712,101 at the end of the reporting year. Tupo Mtaani Kwako 2 (translated as 'we



The deposit growth trend over the last four years

are in your neighbourhood'), was an extension of the campaign launched in 2020 and targets to take services closer to people. The program integrates financial literacy activities, entertainment and personalised customer service to onboard new customers, activate dormant ones, and collect feedback.

The launch of TMK2 was complemented by the introduction of a new proposition dubbed Hodari Account, designed to provide flexibility to Micro and Small-sized Enterprises (MSEs). The solution targets both registered and unregistered (informal) businesses including hawkers/petty traders (Machinga), street-side food vendors (Mama ntilie), retail outlets (Mangi), barbershops, beauty salons and tailor shops among others. The account has an affordable opening balance of TZS 5,000 and; zero operating balance and no maintenance fee. Withdrawals from this account are free of charge and customers operating Hodari Account are entitled to an ATM card, a cheque book, can opt to integrate with mobile banking platforms such as Lipa Number. With a well-funded account, customers can borrow up to TZS 50 million to boost their business.

As a result of the aggressive sales and consumer awareness efforts, the Bank achieved record performance with a 21.7% growth in retail deposits to TZS 3.9 trillion from TZS 3.2 trillion reported in 2020. The Retail loan book grew by 15.6% YoY, from TZS 2.6 trillion in December 2020 to TZS 3.0 trillion in December 2021. Significant growth was recorded for most retail lines, MSE loans grew 36% from TZS 75.9 billion in 2020 to TZS 103.0 billion in 2021, while loans given to SMEs increased by 17% from TZS 481 billion in 2020 to TZS 563 billion in 2021. Personal and Mortgage loans grew by 15% each with Personal loans expanding from TZS 1.8 trillion in 2020 to TZS 2.04 trillion in 2021, while Mortgage Loans increased to TZS 57 billion from TZS 50 billion reported in 2020.

MSE loans in 2021

TZS 103B

a 36% growth from TZS 75.9 billion in 2020

In addition to growing the retail loan portfolio, we also improved our portfolio quality closing the year with an NPL of 2.7%, down from 3.0% recorded in December 2020. This reduction of NPL has been a result of improvements in proactive portfolio monitoring, which has resulted from the operationalization of portfolio monitoring functions for both business and consumer loans.

Leveraging digital technology

The financial services industry is going through dramatic changes resulting from changing customer behaviour, increasing expectations, channel proliferation,

disruption, innovative use and adoption of new technologies and the digitization of business and society in general. Cost reductions, increasing top-line revenue and; mitigating risk remain the key drivers in retail banking. Our Group understands that to keep up with these changes, substantial investments must be made, especially during the customer acquisition stage. In addition to onboarding new customers, we rolled out targeted initiatives to increase awareness of our products and services, enhance financial inclusion, and migrate customers to digital platforms. The initiatives included a digital awareness campaign dubbed Benki ni SimBanking that followed a revamp of the bank's proprietary mobile banking platform, SimBanking. The latter has additional unique features such as customer self-onboarding, insurance products and digital receipts. The campaign significantly increased the number of customers onboarded on digital channels and subsequently digital transactions.

As a result of these initiatives, CRDB Bank was during the year conferred the Best Retail Bank by the Asian Banker-a leading platform in the Banking & Financial Services Industry that provides strategic business intelligence to help decision-makers

Deepening access to banking services

Our sustainability strategy recognizes access to financial services by the underserved segments, as a key driver of growth going into the future. Building on the successes achieved in expanding our digital banking channels services, we continued to invest in our agency network to deepen access, especially in areas where the digital infrastructure is still a challenge.

During the year, we increased our agency network footprint of CRDB Wakala agents running a total of 19,165 outlets across the country. The vast network enabled the Bank to serve more than 650,000 unique customers every month and about 2.5 million non-CRDB customers in multiple services, including utilities purchases and payment of government taxes.

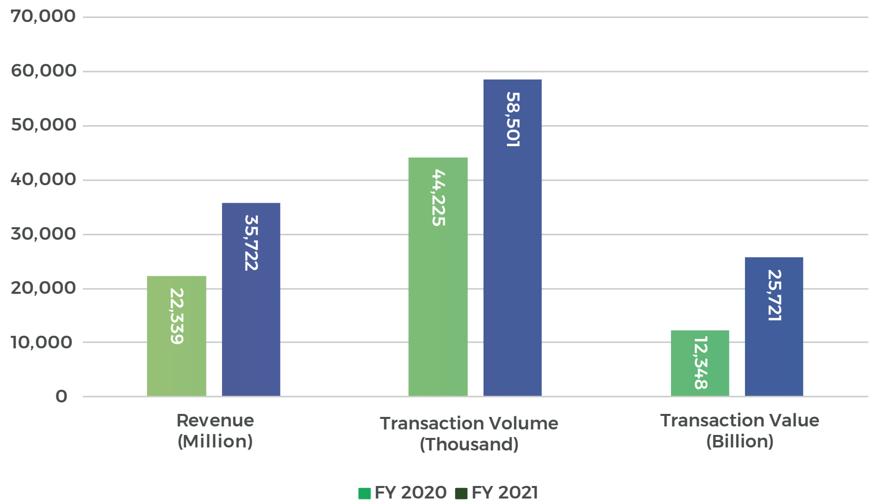
In the year, the CRDB BANK agents processed over 59 million transactions worth TZS 26 trillion, recruited 97,000+ new customers and collected over TZS 870 billion in fees and taxes on behalf of the Government.

Diversifying our offering

During the year, we introduced two business lines, as a strategic investment; to serve our diverse clientele. In March 2021, rolled out bancassurance services, in line with the regulatory changes. Later, in November, we launched Islamic Banking (dubbed Al – Barakah). The two new business lines far enabled the bank to tap new business opportunities driving the performance, as witnessed in the growth figures in this report.

Looking ahead

Going into 2022, we are optimistic that the operating environment will remain conducive to business growth opportunities. While we continue to enhance our sales and awareness initiatives, we will strive to keep our promise of offering the best customer service to our customers and maintain sustainable growth by retaining and improving the quality of our business portfolios.

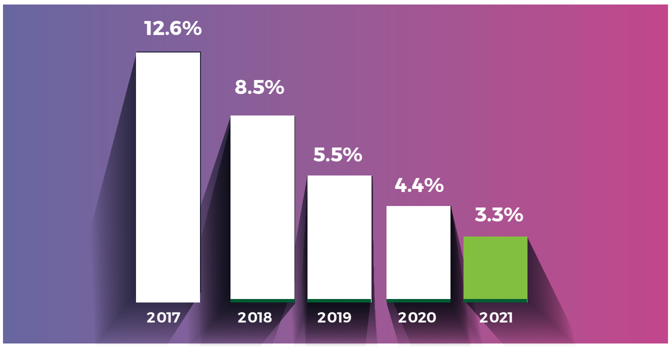


Key Milestones

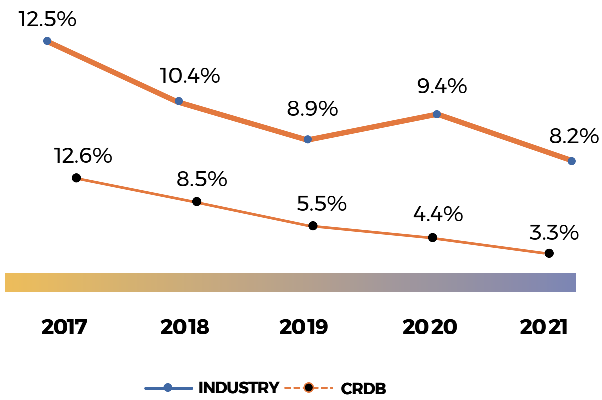
- During the year, CRDB Bank partnered with Tanzania Postal Corporation (TPC), enabling its customers to access CRDB Wakala services through 95 TPC service centres spread across the country
- Adoption of bancassurance business
- As part of supporting Zanzibar's Blue Economy agenda, CRDB Bank rolled out payment services to support various organisations including, Zanzibar Cable TV, Zanzibar Insurance Company, Zanzibar Social Security Fund and Zanzibar Ports Corporation (ZPC)
- Roll out of the Islamic banking to cater to the diverse needs of our customers

CREDIT

Mr. Exavery Makwi
Director of Credit



CRDB NPL trend over the last five years.



Sustaining a healthy portfolio

Our commitment to build a sustainable business is underpinned by our fidelity to both our short term and long-term strategies. Both strategies underscore the importance of ensuring a healthy loan book; with a Non-Performing Loans (NPL) ratio below the industrial average and the regulatory cap.

Taking into account the disruptions occasioned by COVID-19, we started the year with a clear objective to maintain the quality of our portfolio and deliver a better experience for our customers. We drew most of our energy from the lessons learned in 2020, and capitalised on the digital transformation program to achieve results. We adopted the use of data analytics and Early Warning Systems (EWS) to achieve drive results, building on the strong foundations already in place.

A key success factor during the year was our proactiveness in engaging clients, especially those affected by the pandemic. Our priority was help them overcome challenges and accelerate their recovery. We provided flexibility in repayments, based on individual customer's cashflow and ability to repay. We also reviewed our products and reengineered them to suit the needs of our customers, while at the same time resolving systemic issues to give clients a better experience.

NPL Containment

We closed the year strongly, achieving an the lowest NPL in the market at 3.3%, against a regulatory requirement of 5%. Our success was primarily driven by a robust NPL containment strategy, which focused on two areas: delinquency management and recoveries; and efficient management of charged off loans. Efforts to improve our asset quality have been consistent over the last three years, resulting in positive year-on-year (YoY) improvements.

CRDB NPL Trend against the industry between 2020 and 2021.

In managing delinquencies, we made a strategic decision to move away from desk recoveries to field operations, thereby increasing our success rate by nearly 60%. We established monitoring teams within specific business units to help track loan performance, and introduced individual monthly targets for the recovery team. We also created zone champions to look after specific zones to ensure close follow-ups and accountability. To ease the management of third parties, we centralised the management of all agencies supporting our recovery efforts under a Strategic Assets Management function for efficiency. More importantly, we continued to leverage technology, mostly the adoption of ERP solutions and use of Early Warning Systems (EWS) to manage and predict potential defaults beforehand. Additionally, we automated insurance claims of deceased, retrenched debtors, through the Smart Policy system.

A similar approach was adopted in managing charged-off loans, firstly through aggressive recoveries, and digitization. Success was achieved with the roll-out of phase II of eCollect System for end-to-end management of the loans. The system allows borrowers to repay their loans using a variety of channels, including the versatile SimBanking (both USSD & MobApp), CRDB Wakala and teller portal. This innovation improved repayments rates of charged off loans enabling the Group to increase recoveries by more than 150% above the year's target of TZS 20 billion to TZS 39 billion as of December 31.

Digitization and automation

In line with the Group's digitization program, we continued to automate our processes to drive efficiency and improve employee experience. We had clear priorities for the year, mostly targeting to improve the credit workflows and enhance productivity of teams. One of the success stories during the year was the full roll-out of a new credit management platform, namely Credit Pro; which enhanced efficiency in the credit management for SMEs, MSEs, and Agri loans. The rollout was crowned by a bank-wide training on the use of the system with a specific objective to close the knowledge gap on critical areas of loan processing.

Workflow automation has had a significant impact on our business, with notable improvements in the turnaround time in the processing of business loans (SMEs, MSEs and agri loans),

which has reduced from 30 days (for new customers) to 14 days. The duration for existing customers has been halved to 7 days, from the previous two weeks. There's also enhanced visibility with real-time status on the loan applications. Fundamentally, the automation has also improved quality of credit appraisals through integration with Credit Reference Bureaus. We continue to cleanse our data

Credit Quality Assurance

The digitization program also strengthened the Group's portfolio monitoring capabilities, further reinforcing the NPL containment strategy. Specific initiatives geared towards ensuring credit quality included the centralisation of covenant monitoring functions at Credit Quality Assurance, deployment of a Covenant Monitoring System and development of a document tracking and monitoring tool. The end result of these innovations was enhanced visibility translating into a 97% closure rate on all loan covenants in 2021. The document monitoring tool inspired proactiveness amongst team members with regard to monitoring and managing documents that have expiries such as title deeds, insurance policies and land rent

Credit Reporting

In terms of accountability, the digitization program strengthened our reporting capabilities, providing credible data that proved beneficial to the Group. During the year, we automated our reporting functions, and revised and validated the IFRS 9 Model. Automating credit reporting through interactive data visualization dashboards, such as Power BI, improved efficiency in data extractions and consistency in reporting, thus enhancing the credibility of our data. It has also improved the turnaround time for report generation from 7 days to 3 days. Our target is to achieve a 48-hour cycle for any credit reports within the coming financial year. CRD Submission to Bank of Tanzania (BOT) also increased to 99% as at the close of the year. In definitive terms, the automation initiatives contributed to the Group's profitability by reducing the provisions to the tune of TZS 11.6 billion.

Enhancing Customer Experience

The initiatives implemented in 2021 were targeted at simplifying the lives of our customers, in line with our promise to deliver a superior service experience. Internally, the automations have increased efficiency and improved employee experience thereby increasing productivity. The use of data analysis and specialised tools has not only enabled quick decision making but also enhanced the quality of our decisions.

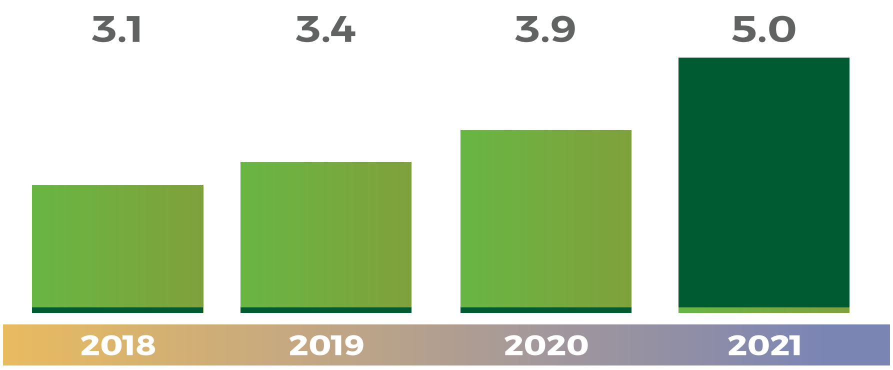
For our customers, the initiatives have shortened the waiting cycle during loan processing, allowing them the opportunity to plan around their investment ideas and make decisions. The digital solutions around loan repayments have also provided flexibility for customers to service their loans at their convenience. The resultant impact has been a significant growth of portfolio by TZS 1 trillion within the 12 months of 2021 to TZS5.1 trillion from 4.1 trillion in 2020.

Looking ahead

We are banking on innovation to remain competitive, but more importantly, we are focused on creating solutions that transcend the complexities in the market.

Going into the new year, we have aligned our resources to pursue untapped, high-yielding segments of the economy to grow sustainably.

We will also focus on diversifying our client base by exploring areas that we previously had not pursued aggressively. More importantly, we will sustain efforts to de-risk the portfolio and enhance compliance oversight to adapt and address regulatory changes. The goal is to maintain a healthy and quality loan portfolio in the market and optimize recoveries.



Credit portfolio growth trend since 2018 (Amount in TZS Trillions

CORPORATE & INSTITUTIONAL BANKING

Mr. Prosper Nambaya
Director of Corporate Banking

Leveraging innovation to drive sustainable growth in the corporate sector

CRDB Bank's philosophy of growth is anchored in the firm belief that every effort counts in building a robust economy that guarantees good quality of life. This is why we have fashioned our business around the idea of providing support to enterprises to help them achieve their growth aspirations. Our offering for the corporate segment considers a wide range sectors of the economy to ensure that we provide sustainable financial services and foster inclusive growth.

More importantly, we help our customers to build sustainable businesses by providing solutions that are tailored to meet their unique needs, and which consider the dynamics in the external environment. We believe that by doing this, will be doing our part in building a better society that places a high premium on the dignity of human life.

Coming from a challenging year, we embarked on 2021 with a clear vision to help our customers recover from the shockwaves of the COVID-19 disruptions. We endeavoured to capitalise on the recovery in the global economy and take advantage of emerging opportunities, especially those created by the pandemic. Key in our strategic considerations was to diversify our client base, looking at sectors that we previously had not fully explored; improving the quality of our portfolio, and leveraging the national development agenda to finance the public investment value chains. We had a specific focus on the private entities providing services to the government.

Our strategy paid off, with significant growth of our balance sheet with a 129% growth in the portfolio to TZS 2.1 trillion, against the year's target of TZS1.6 trillion. We also maintained a quality portfolio with a Non-Performing Loans (NPL) ratio of 4.4%, against an ambitious target of 5.0%. We continue to implement strategies to ensure we sustain a quality portfolio, including normalizing our Portfolio at Risk (PAR) ratio against any bad loans. Our income growth was consistent with our strategy, yielding TZS 112.5 billion in net income.

Exploring new opportunities in trade finance

In terms of diversifying the portfolio, we made forays into new spaces in the energy sector, specifically oil and gas, water and insurance. This resulted in 40 new clients bringing along about 456 new-to-bank loans. Our focus on the energy sector was informed by the role the sector plays in keeping our economy running. As a Group, we are intent on supporting sectors that fuel growth and have an impact on millions of livelihoods. Ultimately, the focus on the oil and gas industry opened opportunities, mainly with Oil Marketing Companies (OMCs), further expanding our revenue pipelines.

We developed structured commodity financing solutions for OMCs under the Petroleum Bulk Procurement Agency (PBPA) and the Tanzania Petroleum Development Corporation (TPDC) to facilitate bulk procurement of petroleum products. During the year we opened LC's amounting to USD 150 million (an equivalent of TZS 345 billion), which enabled us to make back-to-back LC arrangements for specific marketers to suit their sales cycle. We also initiated discussions with the Ministry of Water to issue guarantees for one of its major projects, estimated at USD 81 million (equivalent to TZS 187 billion).

To fully support our clients, especially in places where we don't have a presence, we established Non-Presence-Country's (NPC) desk, to identify new trade partners, strengthen relationships, and increase confirmation lines with new and existing ones. These efforts bore results with our group securing a pre-approved line of credit for USD75 million (the equivalent of TZS 173 billion). By the close of the year, our Group had expanded trade line limits by USD285 million (equivalent to TZS 658 billion), in new confirmation lines for LC-issued transactions.

Establishing an NPC desk also helped us grow our brand, providing new opportunities for the Group to showcase its capabilities during international forums and trade exhibitions. We expect that with this strategy, we will continue to strengthen our grip on the acquired markets, and further solidify our reputation within the OMCs segment and the larger energy sector. Our next frontier in terms of new opportunities in the agriculture sector value chain with a specific focus on strategic commodities such as cotton and cashew.

Transaction banking

As our client's partner in growth, we continuously endeavour to provide solutions that guarantee peace of mind, to allow them to focus on their core business. This was our driving force in 2021, even as we diversified the portfolio to explore opportunities in new sectors. The establishment of the NPC desk also contributed to

Corporate balance sheet in 2021

growth **129%**

of portfolio to TZS 2.1 trillion, against the year's target of TZS1.6 trillion.

TZS 345B

Letters of credit opened during the year

success in this area, providing a strategic platform for engagements, and enabling the Group to increase confirmation lines with existing and new partners platforms to develop new income lines.

During the year, we achieved significant milestones as evidenced by the growth in income, which appreciated to TZS 31 billion. The growth resulted from the various innovations implemented within the year. A notable success story was the implementation of the electronic Cash in Transit (e-CIT) solution, a cash management solution for OMCs and other clients categorised as cash-rich. The e-CIT solution allows clients to access and utilize their cash immediately after transfer to the CIT agent. Effectively, the solution, which is fully insured, transfers the risk from the client once a transaction is made, and waivers the costs associated with cash in transit. We see this as value creation that is consistent with our strategy and vision to support our clients' growth.

Government/Institutional Banking

Our service to institutions was scaled further in 2021 with more integrations with government agencies and large entities. As of the end of the year, we had recruited more than 260 government institutions and onboarded them on the MUSE (Mfumo wa Ulipaji Serikalini) platform. Success in integration with MUSE resulted in significant growth in deposits with an average month-on-month growth of TZS 60 billion, up 162% from TZS 37 billion average in the previous year. In total, we have integrated 184 Local Government Councils, 44 Central Government Institutions on the MUSE platform.

We are currently piloting a new project dubbed Enterprise Risk Management System (ERMS) targeting clients not enlisted on the MUSE platform. ERMS is designed to support institutions that are profit-oriented and whose transactions involve both collection and expenditure. The solution has mode advanced features such as multi-currency capability and instant reconciliations. The project is currently in a pilot phase with the National Health Insurance Fund (NHIF), and we are confident to deploy it fully within the first quarter of 2022. Upon successful pilot, we will focus on utility companies such including the Tanzania Electricity Supply Company (TANESCO), Ngorongoro Conservation Authority (NCAA), water authorities and Tanzania National Parks Authority (TANAPA).

Based on our experience, payment integration remains critical to our sustainability and is key in our strategic considerations going into 2022.

We are keen to explore opportunities in the private sector; including integration with multinationals, local corporates and academic institutions, as part of our digitization program in line with our growth strategy. We plan to maximize the value chains in the public expenditure programs.

We are also keen on exploring other sectors including mining, which continues to show potential, especially after the recent reforms in the sector. Already, we have disbursed over TZS 18 billion in credit lines and asset financing to the sector. We expect that the formalisation of the minerals market in Geita and the Tanzanite market in Arusha will foster transparency, reduce risks and open opportunities for investment and growth. Our priority at this time is to invest in market studies and familiarisation activities to better understand the sector so that we can fully support it. Notably, our recent introduction of the Dirham Account will accelerate growth considering the primary market for Tanzania minerals trades on the United Arab Emirates (UAE) Dirham.

Trade and Manufacturing

Our mission to support the country's efforts to grow the manufacturing sector and bolster trade remains critical, both in the short and long terms. During the 2021 FY, we sustained focus on supporting critical industries on the agriculture value chain such as Sugar. We made significant inroads in critical sectors including fisheries, the tourism value chain including hotels, tour operators, tour guides, hotels and marine transport.

We have a special focus on Zanzibar, where plan to leverage partnerships with strategic entities to support the private sector, especially on matters of tourism and trade. The Islamic Banking solution introduced in 2021 is our value proposition for this market.

Mr. Alexander S. Ngusaru
Director of Treasury & Capital Markets

Sustained Global Recovery

Despite the rise and spread of COVID-19 virus variants, global economy recovery charged on towards pre-pandemic levels backed by widespread economic reopening following successful vaccination rollouts on the global scale. On the back of the surge in global demand supported by unprecedented fiscal and monetary stimulus packages deployed at the onset of the pandemic and amid still-subdued global supply chains, inflation reared its ugly face upending the lower-for-long global central bank policy rates narrative. However, the global financing conditions remained contained as most of major central bank forecast that the price pressures would be transitory.

Despite the ravages of the pandemic, the domestic economy remained somewhat resilient despite a direct hit on the tourism sector which is among the top most foreign currency earner following global lock-downs engineered to curb the spread of the virus. The Central Bank supported the economy through measures aimed at easing credit conditions in the market particularly to those sectors that are the most vulnerable to the adverse impact of the pandemic on the global space.

Sustaining wealth creation

Coming from a challenging year, the Group set ambitious targets with a clear strategy to accelerate recovery and sustain performance. The priority was to ensure capital optimization and efficient liquidity management to enable the Group meet its funding needs. We capitalised on our strong balance sheet and relative stable credit rating from Moody's Investor Relations (B2 with a stable outlook) to build and tap sustainable business pipelines to fund our growth ambitions.

Our capital levels remained adequate and above regulatory thresholds supported by relatively strong organic capital growth. Our funding base remained stable and affordable with core deposits dominated by current and savings deposits contributing positively towards the bottom line. We also capitalized on a relatively stable domestic foreign exchange market supported by our strong capital base to offer our customers competitive prices in meeting their demands.

Leveraging on digitalisation

In line with the Group's digitalisation program, we continued to automate internal processes to enhance efficiency in service delivery. The Group implemented a number of automations to cure system challenges and enhance efficiency.
The automation initiatives positively impacted the Group, especially cash forecasting and managing liquidity levels. Broadly, the digitalization initiatives enabled the Group to shore up its capability to actively manage liquidity levels, leading to the successes reported in the year.

Looking ahead

The Group will continue to monitor financial markets conditions, both domestically and globally and exploit any business opportunities while tracking global policy uncertainties, geopolitical risks, global growth outlook and domestic macroeconomic and financial conditions as they evolve. In addition, the department will continue to focus on building strategic business relationships with local and foreign stakeholders to enhance the bank's capabilities, while streamlining its processes through the usage of more efficient technology. Moreover, we will evolve our business through rolling out of new financial services particularly on financial advisory space after being licensed by the Capital Markets and Regulatory Authority to better serve our clients.

Going by the lesson learned during the year, it is clear that for the Group to sustain its growth, it will need to remain nimble, both from a physical and financial operating perspective.

The Group will maintain tight control to ensure resilience, while at the same time being flexible enough to adjust to the changing business and economic environment. We will leverage our strategic partnerships to the fullest extent possible, to access technology and to seek support, guidance and insights that will enable it to achieve its strategic goals in 2022.

6% Growth in FX revenue to TZS 39.6 billion, from TZS 34.4 billion in 2020.

59% Growth in AFS trading gain to TZS 31.0 billion in 2021 from TZS 19.5 billion

76% Growth in custodial business from TZS 1.4 billion in 2020 to TZS 2.6 billion in 2021

27% Growth in Non-Funded Income (NFI) from TZS 238 billion in 2020 to TZS 254 billion in 2021

7% **Growth in treasury income to TZS 254bn, constituting 26% of the Bank's total income**

Thriving in a digital society:

How CRDB Bank is building a future-ready enterprise

For years, banks were frontrunners in automation. Today, large parts of the once cutting-edge technologies have turned into legacy systems that hinder innovation.

With the rise of FinTechs and technology companies, traditional banks have no choice but to keep up with start-ups that optimally profit from new data-driven technologies such as cloud, artificial intelligence (AI) and Machine Learning (ML), as well as lean and agile processes such as DevOps. These start-ups come without the burden of outdated technologies making the competitive landscape cut-throat.

Technology drives change in every facet of life. It's certainly true for the financial industry. The way banks and other types of financial institutions manage tasks continues to evolve as faster, more efficient and more user-friendly methods emerge. Savvy consumers are increasing by the day. It's important to understand bank technology options and how they could benefit you. Some of them are already in play. Others may be on the horizon and could one day become preferred methods within the banking world.

CRDB Bank is certainly leading the way in spearheading innovation in the banking industry in Tanzania, especially in delivering banking services to customers. While we may still require customers to physically visits our branches to open accounts, so much is changing. Today, we are able to offer a secure application process via our SimBanking mobile app and internet banking. Anyone wishing to open an account can provide basic information, upload documents to establish his or her identity and provide the required opening account balance and voila, an account will be live.

Such technology will continue to influence how we design our products in the coming years. As a Group, we have adopted the use of Applications Programming interfaces (APIs) which also helps us gather analytics, personalize services and much more. The innovations have also enhanced the efficiency of our operations and improved the customer experience.

Our digital transformation strategy envisages leadership in technology adoption. This means that our next phase of growth will be powered by more disruptive technologies such as Robotic processes automation and Blockchain. Robotic processes automation (RPA) technology makes it possible to automate many tasks that were once done manually. With RPA, we will be able to handle all the details associated with new account setups, verify data submitted by a customer, conduct security checks, manage data analysis and even handle responses to customer concerns

Mwanaisha Kejo
Head of ICT Projects
and Channel Support

OUR SUBSIDIARIES

CRDB BANK BURUNDI SA

Mr. Frédrick Siwale
Managing Director, CRDB Bank Burundi SA

Facilitating Recovery Through Innovative Financing

The Burundi economy is on a recovery path, fuelled by a mix of factors, including sustained pollical stability and an improved business environment. Coming from a challenging environment, posed by the COVID-19 pandemic in 2020, the country witnessed a subtle turnaround in 2021 with estimated GDP growth of 2%, which was a slight improvement from a recession in 2020.

Retrospectively, 2021 was the third year of our medium-term strategy, which targets to achieve high productivity, robust balance sheet growth and a seamless digital experience for customers; to deliver sustainable value for shareholders.

Economic operating environment

During the year under review, Burundi experienced a myriad of challenges with a tough business environment, exacerbated by the global pandemic. The country's annual inflation increased from 7.6% in 2020 to 8.2 % in 2021, driven by a rise in the cost of food and essential items. A decline in agricultural production, combined with rising prices of imported products resulted in a sharp rise in prices exerting more pressure on households.

The country's Current Account Deficit declined to 10.5% of GDP in 2021, improving from 11.2% in the previous year. The exchange rate USD/BIF continued to depreciate in 2021 by moving to USD/BIF 2,006, a depreciation of 3.0% compared to 2020.

Despite challenges, the banking sector remained well-capitalized, benefiting from a supportive regulatory environment. On the flip side, a lack of adequate foreign currencies to support international trade, following donor support freezing since the crisis of 2015, continued to affect the performance of the sector. With the new regime in place, the country has witnessed significant improvements, with a major milestone reported in the last quarter of the year with the termination of economic sanctions administered by the US Department of the Treasury's Office of Foreign Assets Control (OFAC). The termination was authorised as a result of positive political developments in Burundi, including the reforms pursued by President Ndayishimiye since he took office in 2020.

Adapting to the unpredictable business environment

Leveraging the Group's adaptative strategy, the subsidiary implemented initiatives to help customers accelerate their recovery from the shockwaves of the pandemic. We mirrored approaches from our parent company, making strategic investments in the expansion of service through alternative channels and strengthening our digital propositions. In terms of business growth, we trained focused on the thriving sectors of the economy to ensure sustained income, while at the same time exploring new sectors of the economy that we were not previously keen on.

The strategy paid off delivering double-digit growth in Profit After Tax (PAT) growth of 14.3% to TZS 12.8 billion, compared to TZS 11.2billion recorded in 2020. The subsidiary maintained healthy income lines with sustained growth in Interest income from TZS 33.9 billion in 2020 to TZS 38.3 billion as of 31st December 2021. The growth represents 12.6% positive movement, signalling the success of strategic interventions implemented during the year. Net fees and commission income decreased slightly from TZS 3.6 billion in 2020 to TZS 3.9 billion. Staff and administrative expenses increased from TZS 12.1 billion recorded in 2020 to TZS 14.0 billion as of 31 December 2021 which is 15.8% growth.

Assets

Total assets increased from TZS 353.3 billion in 2020 to TZS 534.9 in 2021, which is a 51.9% annual growth. The Bank closed in 2021 with adequate capital, liquidity and risk foundations well placed to meet the opportunities and challenges that lie in 2022 and ahead.

Deposits

Total deposits mobilized increased from TZS 200.5 billion in 2020 to TZS 332.5 billion as of 31 December 2021, which is a 66% growth.

Lending

The credit portfolio increased from TZS 155.4 billion as of 31 December 2020 to TZS 225.6 billion as of 31st December 2021, which represents a 45% growth. The subsidiary maintained a quality portfolio with an NPL ratio of below 1% throughout the year. The shareholder's equity increased from TZS 40.2 billion in 2020 to TZS 47.3 billion in December 2021 recording an annual growth of 17%. The Return on Equity recorded in 2021 was 26.8% (2020: 26.9%). The Core Capital Ratio slightly declined from 27.9% to

24.9% (regulatory 12.5%) while the Total Capital Ratio slightly declined from 28.4% in 2020 to 25.4% in 2021 (regulatory 14.5%).

Supporting the achievement of SDGs

CRDB Bank believes in playing an active role in sustainability matters and has committed to being a partner in the achievement of global SDGs. Driven by a desire to expand its influence within the region, the Group has cascaded its sustainability initiatives designed to the Burundi subsidiary, in full appreciation of the challenges in the host country.

During the year, the subsidiary continued to support public efforts to address poverty and hunger, promoting gender parity through innovative financing, and offering tailored products targeted at uplifting communities. Since 2014, has developed specialised products for vulnerable groups, including the underserved segments of the population, such as women and the youth.

A classic example of such a product is the Birashoboka Loan (translated as 'It's possible). The product targets to support vulnerable groups with little income to sustain their economic activity. The loans provided are unsecured, provided in cycles and accompanied with training on records keeping, savings promotion, etc. The bank also promotes gender parity through tailored saving plan products to women only (Mwamikazi). The savings through Mwamikazi accounts allow the account holder to be eligible for any type of loan via its coverage.

In supporting infrastructural investments, the bank supports public projects whose impact is quantifiable and fits within the bigger scheme of SDGs. During the 2021 FY, CRDB Bank Burundi financed a hydropower project through a direct loan to the government of Burundi. It is expected that the Hydropower project will expand the country's electricity production capacity, to sufficient levels to power its industrialisation ambitions and stabilise the energy sector. We remain keen on exploring projects in green energy and climate-resilient agriculture in the next couple of years.

On the social investment front, the subsidiary furthered its agenda to support social causes along its CSI pillars of education, health, environment, youth and sports. A highlight during the year was the renovation of the Kamenge market and provision of school materials for children, who suffered the floods in Gatumba among others.

Looking ahead

Going into 2022, the subsidiary will continue to implement initiatives aimed at sustaining its performance, leveraging the strategic initiatives from the parent company. Our priority is to increase staff productivity and entrench a culture of innovation. Similarly, we will continue to strengthen our digital propositions with strategic investments in expanding our digital channels to increase income generation and efficiency levels. Our aim is to grow the number of active customers on our digital platforms and increase our share of the wallet.

TZS 38.3 billion

12.6% growth in Interest income from TZS 33.9 billion in 2020

CRDB INSURANCE BROKER

Mr. Wilson Mnzava
General Manager,
CRDB Insurance Broker Limited

Protecting financial loss is in our DNA – Transitioning CIB Subsidiary into a strategic investment

2021 was the year of transition for CRDB Insurance Broker (CIB), following the change in regulations, requiring banks to offer bancassurance services.Despite being in transition CIB remained one of the largest insurance brokers in Tanzania with a combined asset base of TZS 7.1 billion.

During the year ended 31 December 2021 the Company made a profit after tax of TZS 859.0 million compared to TZS 3.6 billion recorded in 2020, representing an annual decline of 76.3%. Commission income earned is TZS 1.8 billion against TZS 8.2 billion recorded in 2020 which represents 78.0% annual decline, the decrease was mainly attributed by transfer of insurance brokerage business to the parent from March 2021 following introduction of bancassurance.

Managing the transition

March 2021 was the earmarked deadline for compliance with the cessation of activities directive by the Subsidiary. However, the subsidiary had earmarked February as the last day of brokerage activities. The subsidiary successfully commenced bancassurance services under the Directorate of Retail Banking on March 1, 2021, while servicing the existing portfolio up to its expiration. The dispensation to service the existing portfolio had been granted by the commissioner for insurance (Tanzania Insurance Regulatory Authority).

During the transition, 11 employees of the subsidiary were to the parent company, whereas 22 were retained to manage the Bancassurance agency. The subsidiary retained five senior staff to spearhead critical functions ahead of the full transition. The executives include the Ag. General Manager, Ag. Manager Finance & Administration, Office Assistant and 2 Insurance officers who were responsible for managing the transfer of business from the subsidiary to Bancassurance agency.

Adopting bancassurance

Against the backdrop of the changes associated with the transition, CIB achieved significant milestones with the most significant being the seamless transition done on schedule. Within the transition itself, the subsidiary achieved numerous successes beginning with the transfer of the business, staff and insurance systems to the parent company. The subsidiary also launched a new funeral product, embedding it in the offering for the banks and body repartitions to diaspora accounts. Additionally, the subsidiary rolled out an insurance product for the agriculture sector as well as a medical cover for small scale farmers dubbed Ushirika Afya. Regarding technology integration, the subsidiary automated the deduction of commissions, in line with the digital transformation program spearheaded at the Group level.

Looking ahead

Going into 2022, the subsidiary under the bancassurance banner, targets to fully establish the agriculture insurance proposition (weather index and area yield) to tap into opportunities in the sector. More importantly, the proposition will seek to safeguard farmers against the uncertainties caused by global warming. Alongside the same ambition, the agency will expand the Ushirika Afya policy, through the Agriculture Marketing Cooperative Societies (AMCOS), as part of the Group's inclusion agenda

The transformation of CRDB Insurance broker into the proposed life insurance company or Liquidation of CRDB insurance broker (winding up of activities/Liquidation process) is expected to materialize within the second half of 2022.

EXPLORING THE NEXT FRONTIER:
CRDB's investment in DRC opportune

CRDB Bank is going into DRC, as the first homegrown Tanzanian commercial bank to invest in the country, considered a big trading partner of the United Republic of Tanzania. Tanzania trades with DRC in various sectors; including agricultural and industrial produces. However, the DRC relies on the Port of Dar es Salaam in importing and exporting goods. In 2019, Tanzania and DRC inked a bilateral agreement for the construction of Standard Gauge Railway connecting the two countries via Burundi.

With a surface area equivalent to that of Western Europe, the Democratic Republic of Congo (DRC) is the largest country in Sub-Saharan Africa (SSA). DRC is endowed with exceptional natural resources, including minerals such as cobalt and copper, hydropower potential, significant arable land, immense biodiversity, and the world's second-largest rainforest.

Its population of more than 90 million people offers a sizeable market for products and services, making it a viable frontier for investments in the region. The country profile indicates that there are immense opportunities servicing people in different segments and profile using our integrated business model on inclusive financing to transform lives and supporting entrepreneurship.

DRC's natural resources are immense and diverse, and the country has the world's second-largest primary humid tropical forest endowment and carbon sink globally. However, forest loss rates have accelerated in recent years, and in 2020, the DRC lost 1.31 million ha of natural forest, equivalent to 854 million tons of CO_2 of emissions. This has had deleterious environmental impacts (including climate change, biodiversity, and rainfall patterns) and is threatening the livelihoods of the 35 million people who depend on forest resources.

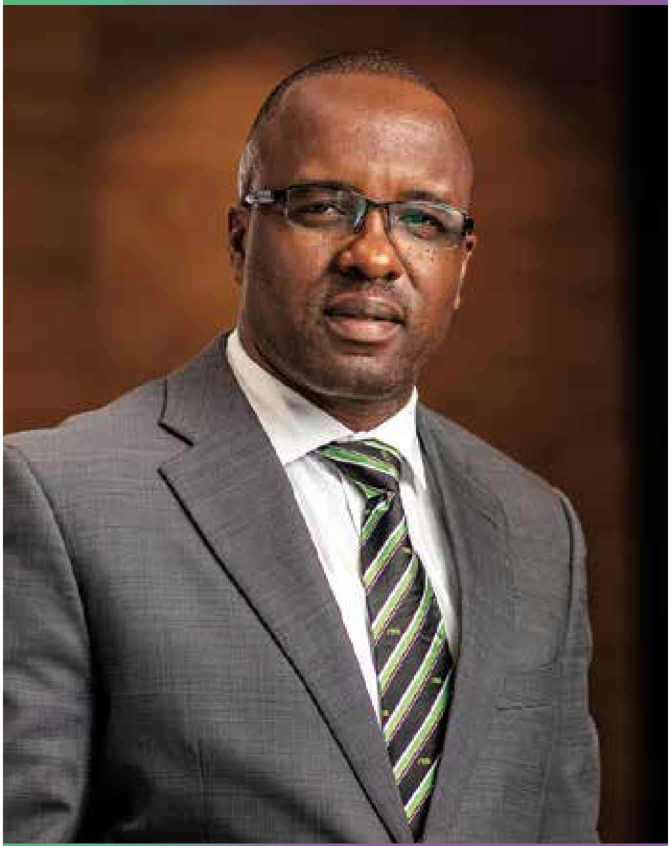
As CRDB Bank, we see the challenges that DRC faces as opportunities for us to play a role in transforming the lives of the Congolese people. Our business is built on the sole purpose of transforming lives and DRC offers a unique for our Group to provide solutions that are not only transformative but also impactful.

As you may have read in the earlier pages of this report, we expect to launch our operations in DRC within the second half of 2022. This is a huge milestone for us as a group since it will materialise our dream to become a regional bank enabling businesses to thrive. Our priority is to ensure our customers who provide goods and services in DRC have convenient access to financial services to accelerate their growth and impact lives, one at a time.

CRDB Bank Group's belief in championing sustainability through the achievement of the Global Sustainable Development Goals (SDGs), will form a chuck of our growth strategy within the DRC. We will complement our commercial activities with our social investment programs in uplifting communities in the country and utilise our influence as an environmental steward to rebuild the country's biodiversity for the good of the planet.

Jessica Nyachiro
Managing Director, CRDB DRC SA

OPERATIONS REPORT



Bruce Mwile Mwasenga
Chief Operations Officer

Building organisational resilience through efficient operations

As the world continues to adjust to the new normal, the central question for many organisations is how to remain resilient and profitable in a severely disruptive environment.

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We started 2021 with a clear strategy to achieve operational efficiency, understanding the challenges our customers faced and; the need to support their recovery efforts. From the onset, we were intentional about improving the experience of our customers; through advanced technologies and guaranteeing the security, safety and continuity of the enterprise.

We understood that in the current environment, piecemeal productivity gains would not lead to significant bottom-line differences for our Group, hence our choice to apply a full set of levers across their entire operations cost base. A key consideration during the year was the deployment of mission-critical systems and infrastructure to shore up the capability to deliver services reliably. Our priority was to accelerate the delivery of digital transformation projects to bolster servicing and digital capabilities.

Enhancing customer experience

The Group made considerable investments in technology enhancement to give customers a more seamless experience. During the year, we rolled out various initiatives aimed at simplifying services and creating more value for the end-users.

In line with this, The Group revamped the digital touchpoints, strengthened by robust back-end ICT infrastructure and support. A success story for our customers was the complete revamp of the SimBanking App (and USSD), which came fully equipped with a user-friendly interface and advanced features including utility tools. Similar upgrades were implemented on the internet banking platform to improve the omnichannel experience for customers. Specifically, we implemented far-reaching system upgrades, including starting the journey of installation of a new Core Banking System (CBS), and the creation of network redundancies to ensure service availability, stability and reliability. To achieve this, we replaced all End-of-Life (EOL) devices and phased out all End-Of-Service/Support (EOSL) systems to create room for new ones. The replacements were succeeded by a host of installations, including new ATMs, servers and power backup generators. We also commissioned a new contact centre solution for more personalised customer engagements.

As a result of the investments, the Group achieved a 98.8% uptime on service availability, which is consistent with our targets for the year. Overall system stability was pegged at above 95%; which was well within the targets for the year. Alongside these interventions, the Group reinforced its data security assets to safeguard and protect customer data, which is critical in enhancing trust and solidifying the brand reputation.

To give our customers more convenience, the Group implemented more than 31 inter-party integrations comprising government and private institutions, creating a more robust digital payments ecosystem giving our customers more power to transact. It is exciting to note that the above initiatives were done internally, which saved the Group a substantial amount of money that would have been paid in consultancy fees and third-party costs. Our target is to attain self-sufficiency in terms of ICT capability as a part of our organisational transformation towards building a bank of the future.

Enhancing operational efficiency

Achieving operational excellence remains central to our quest to build a bank of the future. To achieve this, we continued to automate internal processes to enhance efficiency, both for our internal and external customers. As a result of concerted automation efforts, 2021 was the first year within which the Group completed all planned constructional projects. A key highlight during the year was the successful relocation of its head office from Azikiwe avenue to Ali Hassan Mwinyi Road in Dar es Salaam, without any service interruptions. This achievement is consistent with the Group's quest to reduce its carbon footprint on the use of paper and accelerate the adoption of a paperless work environment.

Our journey to achieve ICT maturity reached a significant milestone in 2021 with the commissioning of a modern disaster recovery centre. The Group successfully tested operations at a new disaster recovery site, signalling new dawn in the Group's ICT capabilities in terms of disaster preparedness and business continuity. Still, on the subject of business continuity, the Group successfully held multiple crisis management meetings, safety and emergency evacuation drills in all facilities, including the new head office. The Group also conducted call tree testing and training for the Occupational Health and Safety Administration (OSHA).

In terms of improving compliance, the Group made tremendous gains in putting in place systems to ensure optimal compliance, both to the internal statutes and the regulatory requirements, thereby minimising associated risks. As a result, the group closed the highest number of compliance items as you will discover in the risk report in the later pages of this annual report.

Looking Ahead

Going into the new year, the Group will continue with the initiatives towards improving the efficiency of operations, seeing that they continue to accentuate our growth ambitions. We intend to implement strategies that will ready the enterprise to meet the rising client expectations and regulatory requirements while embracing technology-driven innovations.

Our focus is to build a more agile and resilient enterprise capable of dealing with the threats that tomorrow poses—whether they take the form of a resurgence of the pandemic, a financial crisis or a cyber-attack.

We have developed a power-boosting transformation strategy designed to inject intelligence and digital capabilities into the Group's operations, across technology, processes and people to ensure we stay competitive.

IT'S PERSONAL:

Achieving work-life balance is a priority

In an era of workplace upheaval, companies that create tailored, authentic experiences strengthen employee purpose, ignite energy, and elevate organization-wide performance. This is the desire we have as a Group, and every action and investment made in, the course of our transformation, is geared towards creating a model work environment in the region.

Experience has taught us that today's workers are hungry for trust, social cohesion, and purpose. They want to feel that their contributions are recognized and that their team is truly collaborative. They desire clear responsibilities and opportunities to learn and grow. They expect their sense of purpose to align with that of their organization. And they want an appropriate physical and digital environment that gives them the flexibility to achieve that elusive work-life balance.

As you may appreciate, many companies, especially in the financial services industry, are facing an exodus of employees, who are exhausted and overwhelmed, questioning what work means, and thinking through their options. CRDB Bank believes that it can offer an excellent employee experience (EX) by taking these needs and feelings seriously at such a crucial time.

As we continue to transform the Group, we recognize that providing top-notch EX is not just lip service; it requires a profound reorientation away from a traditional top-down model to one based on the fundamentals of design thinking. This shift allows will allow our Group to put its workers first by exploring and responding to how we view our employee journeys and delivering tailored interventions that focus on critical moments that matter to maximize satisfaction, performance, and productivity. In so doing, we will become more inspiring, collaborative, and centred on creating an experience that is meaningful and enjoyable.

Research shows that people who report having a positive employee experience have 16 times the engagement level of employees with a negative experience and that they are eight times more likely to want to stay at a company.

Our medium-term strategy emphasizes employee experience to ensure the Group retains and excites the best people, creating value and maintaining a competitive edge. Our employee experience program takes into account what our people value in the broadest sense, acknowledging how life stage, personal circumstances, and even personality type make different propositions attractive for different people.

Contrary to conventional wisdom, we have established that the most motivating answer is rarely just to be paid more. Rather, employees want to feel a powerful sense of agency - being able to influence outcomes that matter to them—allied with a strong sense of identity and belonging.

In the coming years, there will be major workforce transitions for millions across the globe, many of whom face a widening skills gap and other challenges. And because more and more roles are becoming disaggregated and fluid, work will increasingly be defined in terms of skills.

Martha Kimweri
Head: Human Resources Business Partner

HUMAN RESOURCE REPORT

Mr. Siaophoro Kishimbo
Director of Human Resources

Transforming our Human Capital

CRDB Bank aspires to become a High-Performance Organisation (HPO) and a model employer in the region. The Group is upgrading its human capital to better support its growth strategy. A key priority is creating a high-performance environment where ideas, innovation and excellence thrive.

The Group has, over the last three years, made successive reforms to better the work environment starting with employee welfare, capacity building and retooling of its workforce. The Bank targets to create propitious grounds for efficiently delivering essential HR services, and ensuring that all employees and HR processes work in close alignment to build customer connectivity, innovation and talent capabilities across the organisation. The Group continues to make deliberate investments in understanding its human resource development challenges and priorities to develop adaptive and pragmatic action points for the organisation.

During the 2021 financial year, the Group endeavoured to establish a proper learning journey that is adapted to the context and environment that the business operates. The objective was to provide improved assistance to the business towards anchoring strong customer focus, high workforce engagement and seamless operations.

The Bank's strategy puts people at the centre of its growth plans. As a result, the Group has adopted a forward-looking perspective identifying and undertaking initiatives for the benefit of our employees. The objective is to strengthen the quality of our workforce in terms of talent sourcing, human resource development and retention, workforce planning, management of employee performance, fostering of culture alignment and nurturing of our employer brand to appeal to young talents on the market.

In the year under review, the Group continued to engage with staff at different levels with a view to understanding and responding to their needs, while adopting the necessary remedial measures to foster employee engagement and talent development. As a key recent initiative, the Bank has embarked on an employee reskilling and retooling programme. The project aims to empower employees to deliver optimally in the face the rapid changes in the workplace.

We reckon that with the rapid changes, exacerbated by the COVID-19 pandemic, our people require constant support and care to enable them to deliver optimally.

Our strategic theme, during the year, was christened 'breaking barriers to build efficiencies', which was conceptualised as a prescriptive philosophy to help create an organisational synergy that is integral to achieving the organisation's goals. Operating under this philosophy delivered significant change in the way our people collaborated leading to the good performance reported at the end of the year.

Strengthening leadership

Our Group believes in creating leaders who can inspire people iinto action. We are also a results-oriented organisation, where every action is acknowledged and its value tracked. Our medium-term strategy recognizes leadership as one of the enablers of growth, hence the focus during the penultimate year of the strategy's implementation. The bank mooted elaborate leadership training programs, leveraging strategic partnerships with some of the leading institutions to equip our leaders with the necessary skills to manage our human capital in these modern times.

Specifically, on training, the bank's partnership with Nairobi-based Strathmore Business School (SBS) provided the necessary knowledge axis, through which the bank's top leadership gained good exposure. The bank's partnership with the International Finance Corporation's women empowerment program (IFC-100) also enabled the Group to train more than 100 women on leadership. The training was part of the Group's strategy to empower women into leadership roles, in line with our diversity ambitions.

The Group has internal leadership training programs, fashioned to empower staff within its network. One of such programs is the Branch Managers Academy, which focuses on equipping branch managers with leadership skills to adapt to the changing business environment. During the year, the bank trained more than 100 branch managers under this program. Owing to the success of this program, the Group is contemplating establishing a Relationship Managers (RM's) Academy to serve the category.

In adapting to the challenges posed by the pandemic, we capitalised on our new 70:20:10 learning model, where we focus on individual learning, coaching and in-class training (70% on-the-job training, 20% coaching and 10% in-class training).

The 70-20-10 model is predicated upon the finding that individuals tend to learn 70% of their knowledge from challenging experiences and assignments, 20% from developmental relationships, and 10% from coursework and training. We quipped this with investments in online education platforms such as Udemy, which provided convenient options allowing us to achieve the training targets for the year.

Talent management and succession planning

The Group has an elaborate strategy for retention and continuation of critical competencies. We have a robust talent management and succession planning program and harbour a genuine commitment to developing the existing workforce.

In the year under review, we delivered a succession plan for tier 1 and 2 leaders within the Group – directors and heads of departments - using evidence-based techniques to identify current capability and future potential. We believe that a robust succession plan will improve the transition between leaders, and reduce uncertainty and the loss of productivity. It also creates an objective and effective roadmap for making HR and leadership decisions.

Driving performance and productivity

Covid-19 has affected all three drivers of workforce productivity — time, talent and energy. Understanding the impact that the pandemic had on its people, the Group capitalized on changing work patterns to access difference-making talent and created innovative ways to engage and inspire employees.

Primarily, we digitized the majority of the HR processes and adopted enterprise solutions such as HR Connect, which changed the experience of our people. The HR connect solution has helped the Group to achieve significant results in performance evaluation with a 100% employee engagement. As of December 31, 2021, the Group had successfully evaluated 86% of its employees, signalling high levels of efficiency of the solution. The next step is to improve the quality of input in terms of objectives to guarantee better results.

Along the same lines, the Group commenced the first round of job evaluations as part of the strategic workforce planning exercise initiated at the beginning of the year. The exercise targets to identify talent needs associated with the organization's future goals and establish a strategy to ensure the Group has the right mix of talent, technologies and employment models to reach these goals. As of the end of the year, 70% of the Group's workforce had been evaluated, paving way for the development of a Group competency framework.

The Group remains keen on sustaining employee motivation and continued with efforts to motivate staff through rewards. A successful case study is the Group's bi-annual CEO awards, which have created a sense of ownership and collaboration amongst staff.

Employee welfare

CRDB Bank Group believes that to become a high-performance organisation, the bank must take good care of its employees and invest in genuine efforts to make their lives worth living. In addition to providing a conducive work environment, the Group continued to invest in wellness programs including mental health awareness, counselling and sports. The latter had proved to be a huge success, especially in driving employee motivation and enhancing interpersonal relations resulting in synergies and collaboration.

During the year, we completed reviewing the Collective Bargaining Agreement (CBA) with the Tanzania Union of Industrial and Commercial Workers (TUICO) as part of consensus-building around the subject of employee welfare in the content of the changing business environment. The Group will continue to engage with the employee union to maintain healthy relationships and foster mutually beneficial partnerships.

Future outlook

The Group reckons that the future of employee engagement rests on its ability to meet the core human needs of people in the workplace. The rapid changes brought about by technology, and the pandemic; have made employee engagements more challenging, even with the availability of tools.

In our perspective, successful employee engagement will require a focus on them to address their core workplace needs. Going into 2022, the Group's priority will be to deploy an employee experience framework to help track, measure, and improve staff experience. We believe that will create an environment where all our employees become eager and ecstatic to get up every morning and come to work.

Our vision is to build an environment where our people look forward to their work, collaborating with colleagues, contributing towards fulfilling organizational goals, working on new assignments, accomplishing their goals, and helping their peers achieve theirs.

We will continue also to pursue partnerships with institutions that share our interests to further strengthen our learning environment.

CORPORATE & SOCIAL INVESTMENT REPORT

Ms. Tully Esther Mwambapa
Director of Corporate Affairs

Scaling Our Social Investments in Times of Uncertainity

CRDB Bank is founded on the principles of inclusivity and collective prosperity. For the past twenty-five years, the Group has devoted its investments towards projects that uplift the community. We have a broad perspective of social responsibility and aspire to be a champion in building an equitable society. For our Group, a model society is where every citizen enjoys a decent life and has an opportunity to prosper.

Our social investment strategy focuses on sustainable value creation as a defining factor for our business. Our 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. 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 net 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, 5, 6, 13, 15 and 17; along with aspirations contained in the Country's Vision 2025 Development Blueprint.

During the 2021 financial year, our Group remained steadfast in providing financial solutions to cater to varied needs for all sectors of the economy, with the view to building a vibrant environment for growth. We also leveraged strategic partnerships with various stakeholders and organizations of goodwill to scale our impact through the activities undertaken.

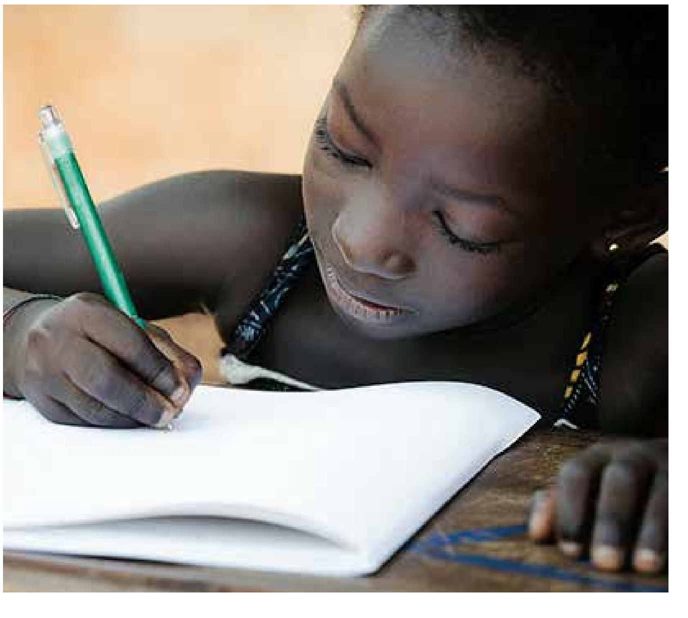
Investing in education

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.

Given the challenges brought about by COVID-19, we sustained our support to the education sector, to enable schools to adequately adjust to the changes linked to the pandemic. Our investments towards school infrastructure such as desks, classrooms, ablution blocs and dormitories meant that students access education in a conducive environment to foster learning and good health. With the hygiene requirements emanating from the pandemic, we were also keen on inculcating a handwashing culture among school-going children to help mitigate the spread of the coronavirus. We were able to achieve a lot, courtesy of our strategic partnerships with various entities, including local authorities and other organizations of goodwill.

Investing in health & wellness

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. Nearly half of our annual CSI budget is channelled towards supporting health programs, especially mother and child healthcare.

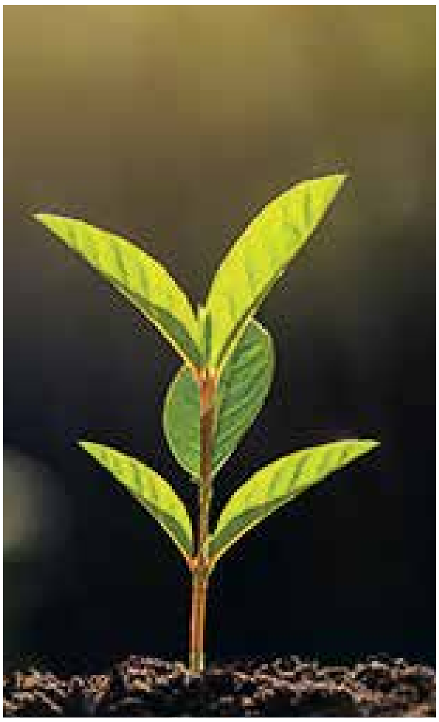


During the 2021 financial year, we leveraged some of our partnerships to scale our support to the health sector with a clear focus on health centres and dispensaries. We have witnessed tremendous impact created by our support in terms of medical equipment and facilities to these centres. Conversely, our partnership with some of the leading organizations in the health sector has also proved to be impactful, touching thousands of lives. Through the CRDB Annual Marathon, we have been able to support the Jakaya Kikwete Cardiac Institute to conduct more than 400 heart operations on young children born with heart conditions.

The 2021 CRDB annual Marathon brought together more than 5,000 participants and was supported by more than 15 corporate partners. For us, this demonstrates the importance of this event, firstly in terms of creating awareness of the health challenges in our society, but also in terms of the willingness of our partners and the general population in supporting philanthropic causes.

Taking care of the environment.

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. We have various strategic initiatives that we invest in, to foster responsible environmental practices among our staff, stakeholders and the communities we operate in. Our objective is to inculcate



a social consciousness in environmental conservation and sustainability.
We believe that being conscious about the environment will result in a belief system for each of our stakeholders to engage in pro-environmental behaviours. 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.

In 2021, our Pendezesha Tanzania tree-planting project achieved its first milestone of 30,000 trees against a three-year target of 100,00. We project to achieve the target of 100,000 ahead of time, drawing from the growing interest and support Pendezesha Tanzania (translated as 'Make Tanzania beautiful') is a CRDB Bank project in collaboration with the office of the Vice President of the Republic of Tanzania, alongside other stakeholders. The initiative targets planting more than 100,000 trees in Dar es Salaam over three years. We project to achieve the target ahead of time, drawing from the growing interest and support from stakeholders.

Investing in youth and sports

In our grand scheme of things, the youth form an integral part of the stakeholders and are at the centre of our growth plans. In line with our social investment priorities, we consider youth-oriented programs that inspire, empower and engage the youth in a meaningful way. Sports has been one of the avenues that we have used to engage young people across the country. Like many organizations around the world, we see sports as a great avenue for young people to make a livelihood through talent and also learn important life skills.

During the year, we continued to engage the youth through our national basketball championship – Taifa Cup in Dodoma, central Tanzania. The tournament attracted more than 30 teams and provided an opportunity for the Group to further its financial literacy program, reaching more than 5,000 youngsters. The financial literacy program is designed to educate the youth on various aspects of financial planning including saving and credit.

Community engagements

CRDB Bank Group holds regular dialogue with the community on a range of pertinent issues. We endeavour to consider the needs of the community to ensure that our actions reflect the aspirations of the community within which we operate. We reckon that our business plays an important role in enabling people to meet their financial needs and we are committed to supporting economic growth by providing financial services that are required for economic growth.

We consult with the local authorities, village leadership and non-governmental organizations regularly 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 the availability of our services.
We regularly invite our stakeholders to engage with and share information about day-to-day operations and endeavour 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. Our Board of Directors is actively involved in these engagements.

Issues addressed in our community consultations are determined based on the material aspects that guide CRDB Bank Group. 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 the community.

Imperatives for marketing in the new normal

The human tragedy of COVID-19 has upended lives and livelihoods around the world. The generation-defining event has also upset the economic order and dramatically affected consumer behaviour, from how we work and communicate to how we shop and; what we buy. For businesses, these changes are rewriting the rules for years to come, and they represent a once-in-a-lifetime opportunity for marketing teams to reset the gameboard.

Our Group understands the dynamics in play and redefined its customer engagement processes by embedding them into the sales and communication models to accelerate recovery and drive growth.

Globally, customers are increasingly attached and drawn to the companies that are purpose-led demonstrating authenticity and boldness; we have rebranded our fundamentals as an integral element for driving growth by supporting employees, customers, and the community, in general, to steer toward addressing SDGs.

As companies endeavour to address the current dynamics - while simultaneously looking to the "what next"- our priority is to adopt the combination of analytics on consumer insights and agile ways of working to increase the speed of campaigns creation and giving teams freedoms of rapid deploying activities, while learning from them for improvement.

At the core of any marketing campaign, it has become imperative to listen to customer needs and act on them.

Innovative marketing begins at the inception of product development and ends with service delivery something which we have been able to achieve through digitised experiential campaigns. As a bank that listens, and in a fast-paced business environment we have tapped into social media conversations and engagement to deliver sophisticated yet relevant marketing campaigns.

The world has witnessed vaulted forward decades in consumer and business digital adoption - in a matter of weeks. Online and mobile become the channel of choice for many customers as they have changed the way they interact and purchases their needs, a behaviour shift that has concluded the new normal. As a group, we capitalize on this behaviour shift and develop easy and fast ways of reaching customers digitally on channels of their choice to showcase our propositions and increase awareness.

With more consumers engaging with digital channels and increasingly sophisticated technology tools available for tracking them, we have more data and analytical horsepower at our disposal than ever before. These capabilities allow us to gain a deeper understanding of customers at granular levels and build an antenna for quickly detecting leading indicator changes in market-demand; and shifts in customer needs and preferences. We use these insights to target customers with precision, personalizing; how and when we talk to them, and how we deliver the right products and services.

Moreover, consistent and aggressive cost management is hardly the most glamorous component of marketing; but its impact can be game-changing. Driving efficiency in media spending and advertisement remains a key focus to ensure we bring the required results of every penny spent in the light bottom line. We remain focused on harnessing the value of digital marketing as the new driving force to attain the next heights of business growth and new experience of reachability.

Joseline Kamuhanda
Head of Marketing

RISK MANAGEMENT REPORT

RISK REPORT

Mr. James Isaack Mabula
Director of Risk and Compliance

Managing risk in times of uncertainty

The past twenty, or so, months have demonstrated that banks are at the front-line of the economic disruption brought about by the COVID-19 pandemic. Commercial banks and fintechs are all facing unprecedented challenges and risks. They are also taking multiple measures to support their employees and customers and help bolster the financial system. As a Group, we reckon that it won't be an easy ride ahead. This is why, we have made it a strategic imperative to strengthen our operational resilience and business continuity planning, to weather this storm.

Our priority during the year was to support the business to ensure effective and efficient enterprise-wide risk management to foster sustainability in the wake of pervasive disruptions. We worked closely with stakeholders to identify and address; both operational and system risks, bearing in mind the evolving enterprise needs and the changes in the external environment. A critical consideration during the year was strengthening the Group's risk monitoring capabilities to identify vulnerabilities and adequately measure the bank's resilience.

In the course of the year, the Group made significant investments in ICT in order to refresh its technology infrastructure, the projects under implementation include core banking system (CBS), card management system and ATM switch, Enterprise Service Bus (ESB), AML and Fraud Prevention solutions, Agency Banking and Accounts reconciliation systems. On the other hand, the Group completed replacement and implementation of a new treasury management system thus replacing the legacy system which was implemented in 2008. The investments, alongside the adoption of digital services and collaboration solutions, imply more risks in terms of systems and vulnerabilities. Similarly, the changes occurring within the work environment, driven by the pandemic, have had a bearing on the bank's investment in cybersecurity, vulnerabilities and threats proactive identification and prevention, such as network access control systems and the likes. Conversely, automation undertaken in the year translated into value, enabling the Group to address gaps in data management and security, KYC management, and foster integrations.

One of our biggest achievements during the year was the successful group-wide awareness campaigns on risk management, which helped reinforce our strategy. The 2021 strategy conceived a four-point approach to risk management - **prevent, detect, react** and **reinforce**. This approach addresses the gaps identified in the preceding year, and institutionalize proactive risk management practices across all the business functions. The idea is to make every employee risk-conscious, and alert to the vulnerabilities within their specific work area.

Prevent

Understanding risk is an important component in its management. During the year we made efforts to deepen understanding of risk issues within the Group through customized risk and compliance workshops with business units. This resulted in increased risk awareness, ownership and risk consciousness culture by the first line of defence. Coming from an unpredictable environment in the preceding year, we had clear objectives in terms of oversight on liquidity and capital management. We started with optimizing the Group's stress-testing framework to create a more responsive oversight environment. We also leveraged the Combined Assurance to support early detection of control gaps.

Detect

Detection plays an important role in ensuring preparedness and appropriate remedial action. We focused on retooling teams through the optimization of risk management tools such as regulatory compliance matrices, Risk Control Self Assessments (RCSAs), Risk registers and Key Risk Indicators (KRIs) for Proactive Risk Identification, Assessment and Monitoring by the first line of defence. We also improved the Group Enterprise Customer Due Diligence (CDD) Infrastructure to support the prevention of Anti Money Laundering (AML) and Sanction Risks. Specifically, we initiated replacement and deployment of a new robust AML and Fraud Prevention solutions to support improving the Group's capabilities to detect suspicious and fraudulent activities. In addition, we initiated risk-based reviews on the identified medium and high-risk areas to improve the Control environment

React

Our ambition is to ensure that any risks, both inherent and emergent are adequately addressed to prevent future recurrence. We have adopted a culture of scratching beyond the surface to establish the underlying weaknesses and gaps that expose the Group to risks. During the year, we enhanced the root cause assessment on the reported incidences of control and process failures, to further improve efficiency and effectiveness in controls. We also optimized compliance to insurance requirements to maximize recoveries of losses due to fraud.

Reinforce

To sustain a consciousness to risk amongst staff, we implemented various initiatives to empower our people to deal with risks. An example of such an initiative was the introduction of monthly updates to business units on the evolution of their risk profiles to enable them to prioritize the mitigations of the most volatile risk areas. The initiative was complemented by periodic sharing of lessons learned from internal and external risk events to deepen awareness and prevent the occurrence or recurrence of similar incidents.

Administratively, we strengthened the Control Issues Closure Process through Enforcements of the Control Issues Management Framework (CIMF). .

The result was a 100% closure of control issues with no overdue control issues. We also mapped the Group's regulatory requirements against the KPI's of key staff to drive accountability and strengthen regulatory compliance.

Key outcomes

The various initiatives implemented during the year have contributed immensely to the maturity of our Group in enterprise risk management. The combined assurance approach adopted raised our scores in terms of awareness and preparedness. Notable outcomes emanating from the initiatives described above include an improved control environment, which eliminated duplicates and redundant controls, a 95% KYC compliance rate to AML regulations and reduced operational losses resulting from control design and operating effectiveness failures. The Group has also saved costs in investigations and generally improved turnaround time on fraud cases investigation.

Looking ahead

As a Group, we reckon that the future of risk management in banking will be focused on **emerging disruptions** such as Distributed Ledger Technology (DLT) and the rise of fintech, which banks haven't fully embraced. Other risk drivers in the sector are changing customer expectations and a constantly evolving regulatory environment. Our priority is to enhance compliance oversight to adapt and address regulatory changes.

Going into the 2022 financial year, we will remain proactive in addressing evolving and enterprise risks and capitalize on data analytics to improve decision making, minimize risks and predict the future. We have a clear strategy to harness value from our people through empowerment and capacity building. We will also accelerate the delivery of technology projects to increase capacity to serve.

BUILDING A NEW CUSTOMER EXPERIENCE PERSPECTIVE

Customer experience has changed quite a bit since the advent of the global health crisis occasioned by COVID-19. The various social interventions implemented to check the spread of the virus such as social distancing norms and travel restrictions have altered how brands and customers interact.

Throughout 2021, we witnessed an increased use of a digital customer experience. Without a doubt, COVID-19 accelerated the use of technology, putting us three to five years into the future. The case is even more palpable in our country with the increased usage of digital channels. Naturally, more companies are finding ways to digitize and automate their customer experience as an adaptive strategy.
On the other hand, customers have evolved and today, more than ever before, the majority places a premium on humanized and empathetic experiences. Customers have become more aware of their choices, and are paying more attention to things like hygiene and safety.

Well, while the rapid changes and shifts in the marketplace have impacted the CX landscape, organisations need to keep up with the CX trends and get insights on how to best adapt for better engagements with customers. Undoubtedly, customer behaviour will continue to evolve and brands should find ways to adapt their CX strategy to the changing needs and preferences.

CRDB Bank as a market leader is pushing to use digital and self-service solutions to create an easier, low-or-no friction process for its customers. We see this as potentially great for our customers, who are increasingly leaning towards alternative banking methods seen to be more convenient.

Our priority is to maintain the balance of the new digital support and traditional support (human-to-human). This requires strengthening service delivery since there's a link between employee experience and customer experience. Happy employees deliver great CX, which means considerable focus must also be placed on improving EX.

Along with improving the work environment, we are implementing various initiatives to improve employee onboarding, professional development, and wellbeing. We are also particular about safety, which we see as equally important for both our staff and customers. This is because, over the period, we have established that if customers don't feel safe doing business with us, they would spend money elsewhere instead. And employees who don't feel safe working for you will go work for someone else.Safety includes physical safety, health and wellness, emotional safety, and even data privacy.

Yolanda Uriyo
Head of Customer Experience

OUR RISK MANAGEMENT REPORT

RISK MANAGEMENT

The group actively identifies and assess risk arising from internal and external environments and takes proactive stance in identifying and managing emerging risks. Our strategy to manage risk aims at minimizing revenue volatility and thus enable sustained performance, this is achieved through a robust Enterprise Risk Management Framework (ERMF). The Group's ERMF is well aligned with our business risk profile and regulatory framework.

Our ERMF sets out the guiding principles of risk management thus enabling a holistic view of all inherent principal risks across the group. We are committed to manage risks and continue assessing strategic risks in all our initiatives and growth opportunities from both financial and non-financial risk perspective. Primarily, our risk management aims to protect solvency through preservation of high quality assets, efficient operations and prudent capital management resulting in sustained earnings, which augment core capital, enabling regulatory compliance, enhancing market reputation and stakeholders support.

RISK MANAGEMENT PRINCIPLES

CRDB group considers risk management as its core competence and an enabler to our business; it creates value in achieving set objectives. Strategically, we have an integrated risk management and governing process, which ensures that risk management is congenital into our strategic planning and development, execution and monitoring processes at senior management and Board levels.

All key decision-makers recognize and rely on proactive risk management principles to make informed choices, identify priorities, and choose the appropriate action. We address uncertainties by proactively identifying potential risks and implementing controls and treatments to maximize the chance of gain while minimizing chances of loss. From experience we know that to effectively manage risk, we must strive to understand and consider all available information relevant to an activity, while being conscious to the fact that there may be limitation of information. Our risk management framework guides us on determining how all-available information informs the risk management process, taking into consideration both internal and external operating environment.

We also appreciate the role of human and cultural factors in risk management. The framework recognize the contribution that people and culture make in achieving the group's business objectives. For this reason, we constantly engage stakeholders, both internal and external, throughout the risk management process, recognizing that communication and consultation are key to identifying, analyzing and monitoring of risk.
Besides, we acknowledge that managing risk needs flexibility, hence our focus on dynamism. We operate in a challenging environment and therefore, require that we stay alive to the context of managing risks and continuously work hard to identify evolving risks while making adequate allowances for potential risks, which are likely to crystalize. The group aspires to improve its risk management culture by allocating adequate resources, over time to efficiently manage risks and ensure the ability to demonstrate continual achievement.

GROUP'S ATTITUDE TOWARD RISK

We prudently take and manage risks, as allowed within our risk appetite and tolerance levels as approved by the Board. In taking risks, we exhaustively examine adequacy of the benefit in business terms, unacceptable risks are risks, which exceed the risk tolerance level and appetite as defined by the Board. These are risks, which are likely to cause major threats and hurt our reputation and relationship with key stakeholders. We take a comprehensive perspective, considering regulatory requirements to maximize the group's profitability at minimal risk in line with our risk appetite.

GROUP APPROACH IN MANAGING RISK

The primary responsibility of managing risk resides with business and functional areas where risk is taken. Business team are owners of the risk taken and they are responsible for ensuring that, risk management processes and conscious culture have been embedded in their daily routine. In addition, all employees have responsibility to ensure an effective management of risk and must timely and adequately report all known control breaks and all potential exposures, which are likely to cause financial loss or name damage to the Group.

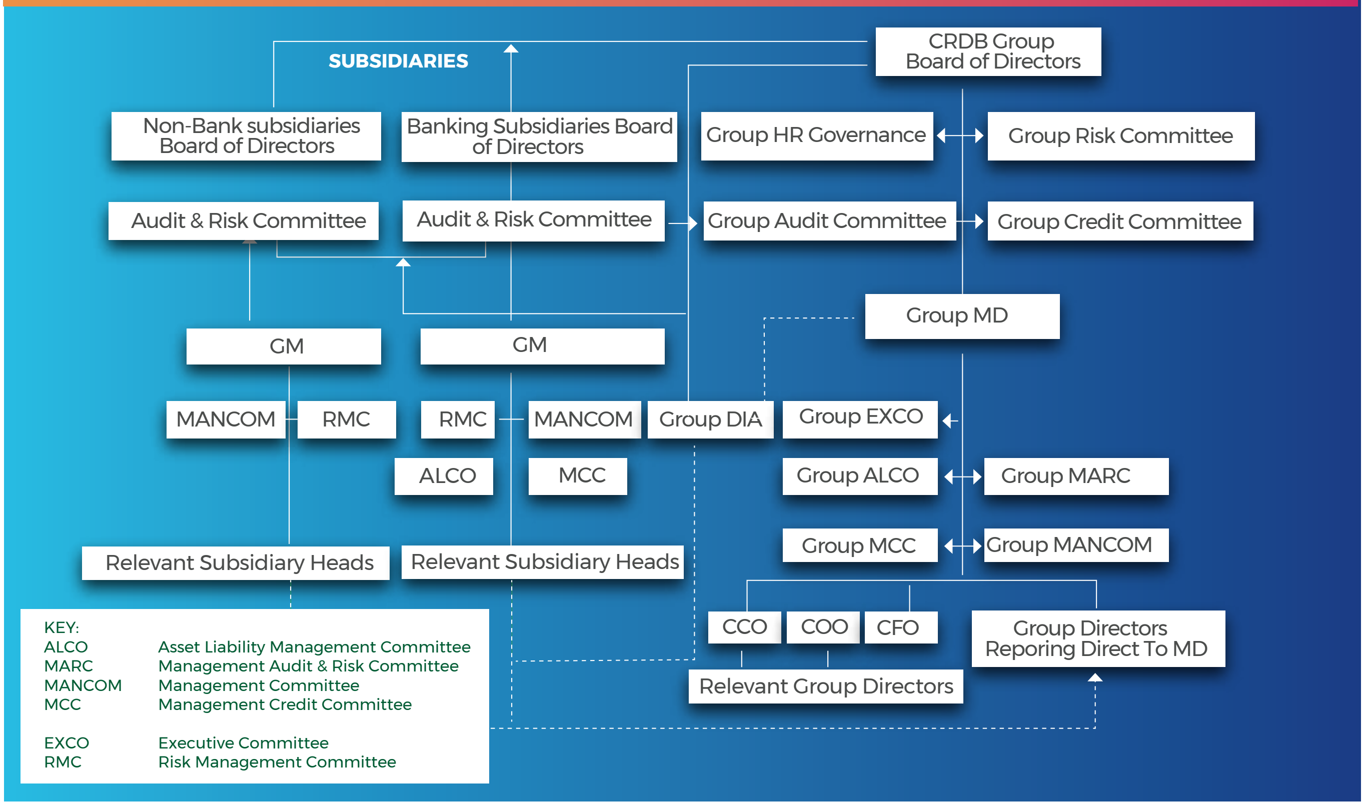
For every product, process or system that is introduced or implemented in the Group, an internal control document is developed and made available to all relevant employees. This document includes the following elements at a minimum; statement of accountabilities, risk identification and controls in place to mitigate inherent risks, objectives of internal controls being proposed and description of the control environment, which must be implemented and maintained including monitoring and reporting. The group Management Audit and Risk Committee have been established to provide an ongoing oversight role for the management of risk and monitor effectiveness of controls implemented across the group.

The Group Risk and Compliance function provides an independent oversight and monitoring process for Group risk and controls across the Group and reports to the Group CEO & Managing Director.

RISK PHILOSOPHY AND APPETITE

The Group considers management of risk as one of its core functions and a key factor for business continuity and providing stable and good return to its shareholders. Various policies, procedures and tools that spell out the risk appetite commensurate to the risk taken and expected return have been developed and implemented across the business areas in the group. In this process, the Group strives to match the best practices in risk management and ensure that risks are adequately managed throughout the group.

DETAILED GROUP RISK MANAGEMENT GOVERNANCE STRUCTURE



ROLES AND RESPONSIBILITIES OF THE GROUP BOARD OF DIRECTORS IN RISK MANAGEMENT

The Group Board of Directors has an ultimate responsibility of risk management across the group including setting the tone and influence the right culture of risk management within the group. The Board has the below key responsibilities in ensuring a robust and effective risk management:

i. Approving the business strategy, risk appetite, the Group Risk Management Framework, and all key policies and ensuring management effectively delivers the strategy and complies with the approved policies;

ii. Set framework to ensure regulatory conformance;

iii. Ensure adequate implementation of risk management framework by the management;

iv. Defining the nature, responsibility and authority of the risk management function within the Group including the scope of risk management work;;

v. Monitoring of the Group risk profile through reports from senior management to determine the level of risk exposure and whether it is within the Board's risk appetite and take remedial actions in a timely manner;

RESPONSIBILITY OF GROUP SENIOR MANAGEMENT IN MANAGING RISK

Setting the tone of risk management and influence risk management culture within the Group. More specifically, the Group Executive team has the following responsibilities:

i. Facilitate the review or development of the Group Risk Management Framework and its related policies and recommend changes to the Group Board for approval;

ii. Translating the Board approved policies into applicable standard operating procedures for operationalization by staff in their daily routine;

iii. Provides an oversight to the Bank and subsidiaries operations covering Risk Management and Strategy formulation and execution;

iv. Implementing strategies in a manner that limits risks associated with each strategy and that ensures compliance with laws and regulations on both long term and day-to-day basis;

v. Ensure appropriate policies, controls and risk monitoring systems are in place and that accountability and lines of authority are clearly defined;

vi. Establishing and communicating strong awareness of and the need for effective internal controls and high ethical standards;

SEGREGATION OF DUTIES IN MANAGING RISKS

All employees in the group have a specific responsibility of ensuring the bank operates within the risk appetite approved by the Board. These responsibilities have been defined in terms of the role of the employee in the "three lines of defense" model.

First Line of Defense

The first line of defense owns the risks inherent in or arising from their activities and is responsible for identifying, recording, reporting and managing them in line with the Group risk appetite.

First line of defense is composed of all employees engaged in revenue generation, client facing areas and all business support functions into where risk is taken or it originates. Employees in the first line have primary responsibility of managing their risks, including:

i. Identifying and managing all risks inherent in activities in which they are engaged, and developing appropriate policies, business processes/standards and controls to govern their activities;

ii. Operating within limits and risk appetite as approved by the Board;

iii. Escalating risk events to senior management and to Risk and Compliance department, as they become known;

iv. Ensure that the business / function structure reflects actual operating practices;

v. Ensure that there are adequate, accurate, reliable and timely financial, operational and regulatory reports with exceptions noted and promptly investigated;

vi. Responsible for establishment and maintenance of self-assessments to test controls and maintenance of departmental risk registers;

vii. Responsible for ensuring that identified material weaknesses (from internal or external reviews / audits) are adequately documented, given appropriate attention (with objective verification and review), and timely resolved;

The first line of defense establishes their own policies and controls in line with the Group Risk Management Framework, particularly with respect to operational activities, and require their colleagues to manage business within specified controls and risk tolerances. All control activities established by the first line are reviewed, challenged and must get sign off by the second line of defense. The second line of defense provides an ongoing control oversight role to the first line defense.

Second Line of Defense

The Risk and Compliance function comprise the second line of defense. The second line is independent from risk taking functions, it reports directly to the Group CEO. The role of second line of defense is to challenge, coordinate establishment of risk limits and policies, rules and constraints under which first line activities shall be performed, consistent with the risk appetite approved by the Board. In the event that the first line exceeds approved risk limits or contravenes rules, it must report to the second line, detailing reason as to why excess, time expected to remediate the breach and what preventive measures have been implemented to prevent recurrence. The second line has the authority and responsibility to perform independent challenge of all activities performed by the first line at any time and report to the Board Risk Committee.

In discharging its role, the second line has the below responsibilities:

i. Oversee the enterprise-wide risks faced by the group through development of risk management strategies and structures and recommendation of best practices in risk management;

ii. In collaboration with, assist the first line, to put in place procedures and controls, which allow for compliance with relevant regulatory and legal requirements;

iii. Monitoring changes in relevant legislation and regulatory environment and taking appropriate action;

iv. Develop risk management and compliance structures, prepare risk management framework document, and ensure implementation;

v. Re-enforce risk culture and strengthen risk management by creating risk awareness to all employees;

The second line may undertake certain additional activities if, in the judgment of the Director of Risk and Compliance, will minimize risk exposures to the business of the group.

Third Line of Defense

The Internal Audit function comprise the third line of defense. The internal audit function provides an independent assurance to the Board of directors and executive management over the operating and design effectiveness of controls in the group. In discharging its mandate, the internal audit function is independent from senior management and reports directly to the Audit Committee of the Board.

COMBINED ASSURANCE

The group has implemented a combined assurance framework, which require coordinated control activities across the three lines of defense for an effective control oversight. This has maximized oversight, minimized duplication of efforts and optimized overall assurance provided to executive and the Board about the overall control environment of the Group.

STRESS TESTING

Stress testing is done to supplement the Group's other risk management methodologies and measures. It covers five key principal risks into which the group is exposed to, namely: credit, interest rate, foreign exchange, liquidity and operational risks, which are likely to occur due to market shocks and have an impact on the group's financial soundness. Stress test provide an indication of the potential size of losses that could arise in an extreme or worst-case scenario. The group applies risk factor stress testing, where stress movements are applied to each risk category. The analysis assists in assessing and determining Group's capital resilient under different likely market shocks, which may occur.

Stress testing is carried out quarterly to determine whether the group has enough capital to withstand adverse market developments. This is for alerting senior management and Board on unfavorable unexpected outcomes related to various risks and provides an indication of how much capital might be needed to absorb losses should large shocks and stressed risk scenario crystalize. The results are meant to indicate weak spots in the risks tested at an early stage and thus proactively guide on preventative actions.

CLASSIFYING RISKS

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

CREDIT RISK

The risk that arises from unmet customer obligations, either willingly or unwillingly, which results in economic loss to the group. Our credit risk management strategies based on achieving the right asset quality and concentration. To achieve this, credit risk is assessed and managed right from credit origination to recovery management activities. Our assessment methodology ensures that risks are clearly articulated and mitigations are put in place throughout the credit management life circle. At Management level, the Loan Portfolio Quality Committee and Management Audit and Risk Committee govern this risk. While at the Board level, the Credit Committee of the Board advises the Board in terms of credit risk taking and management while on the other hand, the Board Risk Committee provides an overall oversight role and advises the Board in terms of overall risk management.

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

OPERATIONAL RISK

This refers to the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. It includes legal risk covering, but not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements. At Management level, the Operational Risk Committee and the Management Audit and Risk Committee govern this risk whereas, at the Board level, Risk Committee of the Board provides an oversight role.

- Operational Risk Management Policy and Processes, which outlines the sequence of activities and decisions in managing Operational Risk; namely: Identification; Assessment; Monitoring; Controlling / Mitigation and Reporting;
- Real time Incident Management procedure for smooth escalation of all control failures for continuous and effective root cause analysis;
- Risk and Control Self Assessments (RCSAs) for quarterly assessments;
- Key Risk Indicators (KRIs) for monthly monitoring of risk exposures;
- Independent Risk and Control reviews that focuses on the identification of inherent risks in Processes, Products and Projects;
- The group applies a Risk Rating Scale in arriving at the general risk assessment that depicts a risk profile of a product, process or business unit and the group at large;

ICT RISK

ICT risk is the risk associated with the use, ownership, operation, involvement and adoption of ICT within the Group. It refers to technology-related events and conditions that could potentially affect business. It can originate from inadequate management and support of ICT systems and infrastructure, compromise of information security controls, failed systems, or other external factors such as cyber-attacks and/or technology absolute.

- The Group has in place Board-approved policies, which govern usage and operations of ICT systems, and infrastructure in the organization, the policy stipulates measures to protect information assets from all threats, whether internal or external, to ensure continuity of its business operations and control potential damage that may occur because of technology risk events;
- Continuous assessment and monitoring which is done by use of key risk indicators, risk and control self-assessments, and other reviews performed by the second and third line of defense;
- Emerging IT risk exposures, performance of established controls and areas that need improvement are reported to and deliberated in Management and Board Risk Committees;

FRAUD RISK

The group has adopted a zero tolerance policy toward internal fraud. The Group has a comprehensive fraud risk management practices which covers the following:

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

MARKET RISK (PRICE, FOREIGN EXCHANGE AND INTEREST RATE RISKS)

The risk of financial loss on earnings or capital arising from adverse movement in macro-economic variables or market rates or prices such as interest rates, foreign exchange rates and equity prices. Market risks arise from open positions in interest rate, currency and equity investments, The Group separates exposures to market risk into either trading or non-trading portfolios. The group's Treasury Department where the trading and the Asset/Liability Management functions reside manages market risk, and the Risk and Compliance function independently monitors and reports on the risk taking. Regular reports on positions are submitted to the Board Risk Committee and the Management Audit and Risk Committee. The Asset/Liability Committee (ALCO) actively manage these risks at the management level.

Market Risk Measurement Techniques

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

Price Risk

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

Foreign Exchange Risk

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

Interest Rate Risk

Interest rate risk is the probability of financial loss to earnings or capital arising from unfavourable movement in interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The group takes exposure to the effect of fluctuations in prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase because of such changes but may produce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is regularly monitored by an independent Risk and Compliance function, reported monthly, and quarterly to the Management Audit and Risk Committee and Board Risk Committee on quarterly basis respectively. Interest rate risk is managed through gap analysis and stress testing, and mitigated through portfolio diversification.

RECALIBRATING RISK MANAGEMENT CRITICAL FOR SUSTAINABLE GROWTH

The world is experiencing widespread changes, leading to dramatic shifts in the risk landscape for businesses. In addition to the economic uncertainties exacerbated by the global health crisis, catastrophic events such as wars and natural disasters are likely to occur frequently in the future.

Similarly, the digital revolution, climate change, geopolitical risk and rising stakeholder expectations continue to influence the risk landscape, requiring enterprises to recalibrate their approaches to risk management. The global pandemic seemed to accelerate digital adoption for many companies, including banks. The digital revolution has increased the availability of data, degree of connectivity, and speed at which executives make decisions.

These rapid changes are transformational but come with a set of risks such as the potential of large-scale failure and security breaches. The consequences of such likely occurrences can be far-reaching, if not devastating. With the advent of digital connectivity, especially with the proliferation of social media platforms, the reputational damage can spark and spread pretty fast.

These changes present a unique for enterprises to revise their risk profiles and develop strategies that will help them prepare better for likely or eventual risks. We foresee a non-linear increase in risks for many businesses, especially medium-sized enterprises and SMEs.

As a Group, we have prioritized equipping our employees to best prepare for risks. Our Enterprise Risk Management (ERM) strategy anticipates these changes and prescribes approaches to navigate complex events. Stakeholder expectations for corporate behaviour are today higher than ever. Companies are expected to act lawfully, but also with a sense of social responsibility. Consumers expect companies to take a stand on social issues. Employees are increasingly vocal about company policies and actions. Regulator and government attention is reflecting societal concerns in areas ranging from data privacy to climate

An uncertain geopolitical future provides the backdrop for such pressures. The world is more interconnected than ever before, from supply chains to travel to the flow of information. But those ties are under threat, and most companies have not designed robust roles within the global system that would allow them to keep functioning smoothly; if connections were abruptly cut.

Companies require dynamic and flexible risk management to navigate an unpredictable future in which change comes quickly. The level of risk-management maturity varies across industries and companies.

In general, banks have the most mature approach, followed by companies in industries in which safety is paramount, including oil and gas, advanced manufacturing, and pharmaceuticals. Companies must, therefore, refresh and strengthen their approach to risk management to best prepare for the next normal.

Wankyo Komogo
Head of Risk Management

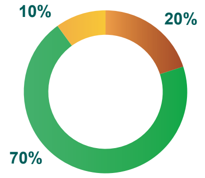
CORPORATE GOVERNANCE

OUR BOARD PROFILE

We have a diverse board of directors that has the right balance of skills and experience to steer our Group into prosperity.

INDEPENDENCE – PROTECTING THE INTERESTS OF ALL SHAREHOLDERS

The majority of CRDB Bank's board members are independent non-executive directors, which complies with global best-practice governance. We are guided by strong principles of good corporate governance, which we conceive as integral to our prosperity.



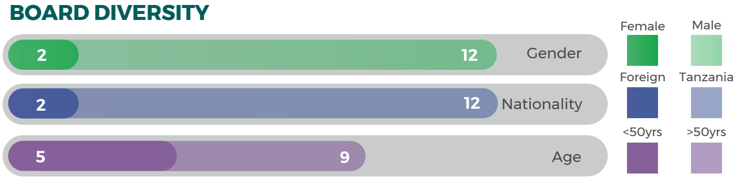
INDEPENDENT NON-EXECUTIVE DIRECTOR
NON-EXECUTIVE
EXECUTIVE DIRECTOR

BOARD DIVERSITY - BEING RELEVANT IN A TRANSFORMING SOCIETY

Our Group considers board diversity as a critical factor in ensuring the Group remains committed to its purpose of transforming lives through financial sector innovation and intuitive action. We have learned from other markets that diversity matters, as companies that embrace gender, race and ethnic diversity perform better financially.

As part of our long term strategy, CRDB Bank. is committed to promoting diversity at board level, with diversity and inclusion being key considerations in our board selection processes. We strive for a transformed board transcends biases and stereotypes. The group's policy on the promotion of gender diversity at board level has been incorporated into the board continuity programme.

BOARD DIVERSITY



SUCCESSION PLANNING

The committee, together with the board, are actively conduct succession planning for the board of directors. The committee proactively identifies director candidates by canvassing a variety of sources for potential candidates and retaining search firms. Shareholders invested in the long-term success of the Group should have a meaningful opportunity to nominate directors and to recommend director candidates for nomination by the committee. However, the final responsibility for selecting director nominees rest with the Governance and Human Resources Committee and the board. One of the responsibility of the board is to review and define the succession planning of the board Chair, board vice Chair and Committee chairs.

BALANCE OF KNOWLEDGE, SKILLS AND EXPERIENCE WELL DIVERSIFIED TO ADD VALUE TO ALL ASPECTS OF CRDB BANK GROUP

Over the years, we have learned that to succeed in this fast-paced business environment, our Group. Needs a broad range of skills to ensure and create value in the interest of all stakeholders. The board determines the required composition of skills in response to the rapidly changing environment and shifts in CRDB Bank's own long-term strategy. Having the appropriate mix of skills and experience ensures that the Board is well-equipped to guide and drive the bank's strategy into the future and thereby create value.

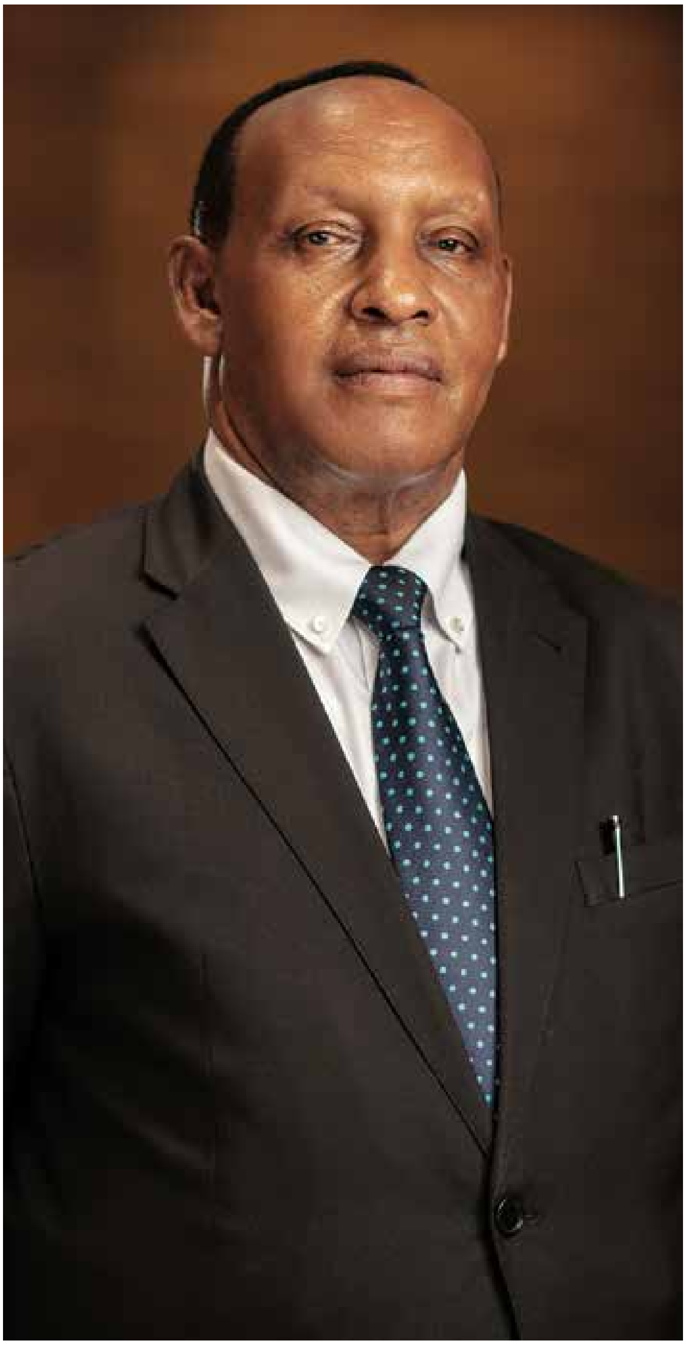
BOARD SKILLS & EXPERIENCE

REGULATORY COMPLIANCE

The Group has a board charter which sets out the key values and principles of the board of directors of the Bank. It provides the specific responsibilities of the board and how it shall operate within applicable legal and regulatory framework; and clearly specifies the powers of the board and its Committees, separation of roles between the board and Management; and the practice of the board in respect of corporate governance matters.

This board charter is subject to the requirements contained in the Bank's Memorandum and Articles Association (MEMARTS), the Banking and Financial Institutions Act, 2006 (BFIA), CMSA Act & Guidelines, Company Laws and other applicable laws and regulatory provisions.

OUR BOARD OF DIRECTORS



DR. ALLY HUSSEIN LAAY
Group Chairman

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

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

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

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

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

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

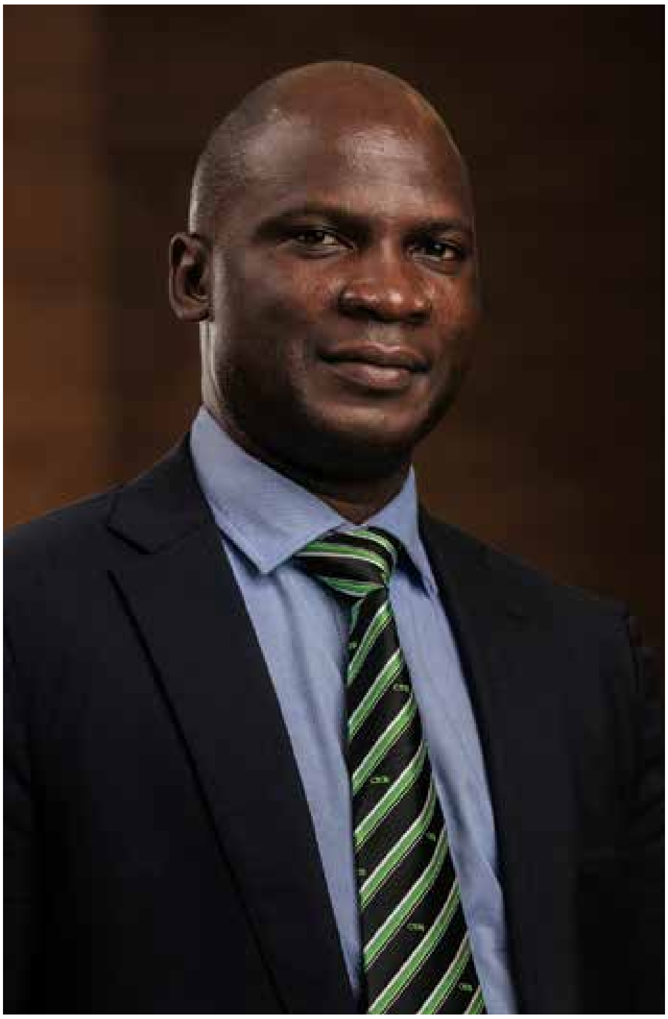
Dr. Laay works on part time basis as a freelance consultant in Financial Management, Accountancy, Auditing and Corporate Governance. He enjoys reading, music, and jogging, travelling and visiting places.

PROF. NEEMA MUNISI MORI
Independent Non-Executive Director and Board Vice Chair

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

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

She holds a PhD in International Business majoring in Corporate Governance and Boards of Financial Institutions from University of Agder Norway, Masters of Business Administration (MBA) majoring in Finance and Bachelor of Commerce (B.Com) majoring in Finance both from the University of Dar es Salaam. Prof. Mori is the Chairperson of the Credit Committee and Member of the Governance and Human Resource Committee. She holds a Certification in Company Direction offered by the Institute of Directors – UK. She likes reading, singing and dancing and enjoys outside walking and exercising.



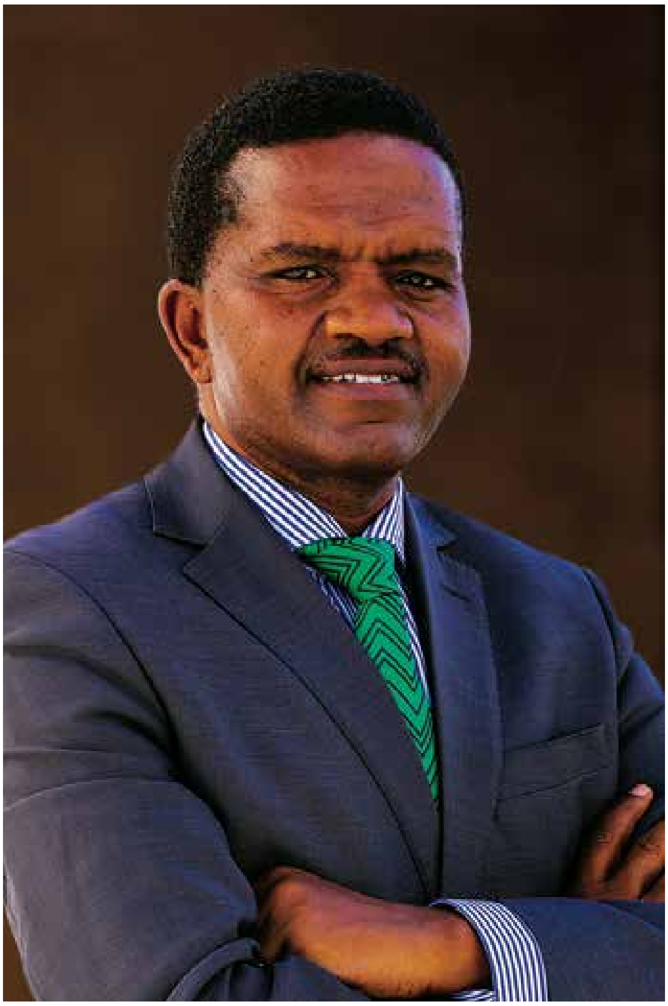
GERALD P KASAATO
(Non- Executive Director)

Gerald is a finance and management professional with over 18 years of experience in multiple markets. Gerald has a track record of achievement and has consistently outperformed performance objectives, selecting lead systems, which have resulted in the efficiency of projects and assignments. He has managed high-performance teams, demonstrating strong leadership, analytical and problem-solving skills.

He is the current Chief Investment Officer (CIO) at the National Social Security Fund- (NSSF) Uganda, overseeing a portfolio of approximately USD 4.5 billion invested in fixed income, equities and real estate. Gerald spearheaded the diversification of the NSSF Uganda investment portfolio, making it the only institutional investor in East Africa investing in all the East African markets.

Before the role, Gerald served as Portfolio Manager - Equities at the same organisation. Before joining NSSF Uganda, he served as Finance & Investment Manager at the National Housing & Construction Company Uganda, Investment & Treasury Manager at the National Insurance Company, Uganda ltd. Before that, he worked as Finance & Investment Manager and Manager Investment & Treasury National Housing & Construction Company Uganda. Gerald started his career as an Associate Audit/Tax (March 2003 to Apr 2005) at PTAP/Philips, Kobbs & Co, a Chartered Certified Accountants firm based in London, UK.

He holds an MBA(Finance) from the University of Exeter, UK, and an MSc. International Finance & Investment, London South Bank University, UK and a BSc. (Hons) Accounting, Oxford Brookes University, UK. Gerald is an alumnus of Harvard Business School. He is also a CFA Charter holder, UK Chartered Accountant(Fellow), a Fellow of the Chartered Management Institute (FCMI), and a member of the Institute of Certified Public Accountants of Uganda(ICPAU). He is also a Board member of Trade Development Bank representing Uganda, Sudan, DRC Congo and Comoros. Prior to this role, he served as a Board member of TPS (Serena Hotel) Uganda.

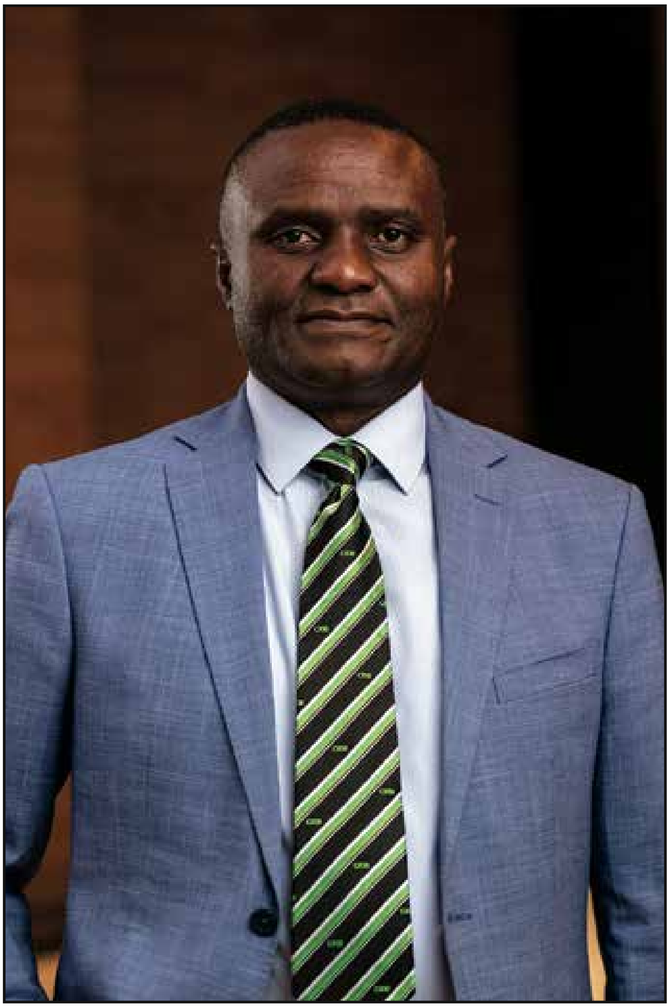


DR. FRED MSEMWA
(Non – Executive Director)

Dr. Fred Msemwa is the Founding Managing Director of Watumishi Housing Company Real Estate Investment Trust (WHC REIT) and a Trustee of the Youth Dream Foundation (YDF). He previously served as Director of Audit at the Energy and Water Regulatory Authority - EWURA (2008-2013), Deputy Principal Finance, Planning and Administration at National College of Tourism (2005-2007) and rose from an Accountant to Finance Manager at National Housing Corporation (1999-2005) and Accountant – BP (1998). Dr. Msemwa holds a Certificate in Directorship from the Institute of Directors in Tanzania, a PhD in Business Administration (Audit) from the Open University of Tanzania, MBA in Finance from Birmingham City University (UK), Advanced Diploma in Accountancy from Institute of Finance Management (IFM), and is a registered auditor (FCPA-PP) by NBAA.

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

He is a volunteer and co-founder of the Youth Dream Foundation (YDF); a youth empowerment NGO that seeks to empower youth economically through education, talent development and career guidance.



MR. HOSEA EZEKIEL KASHIMBA
(Non – Executive Director)

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

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

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

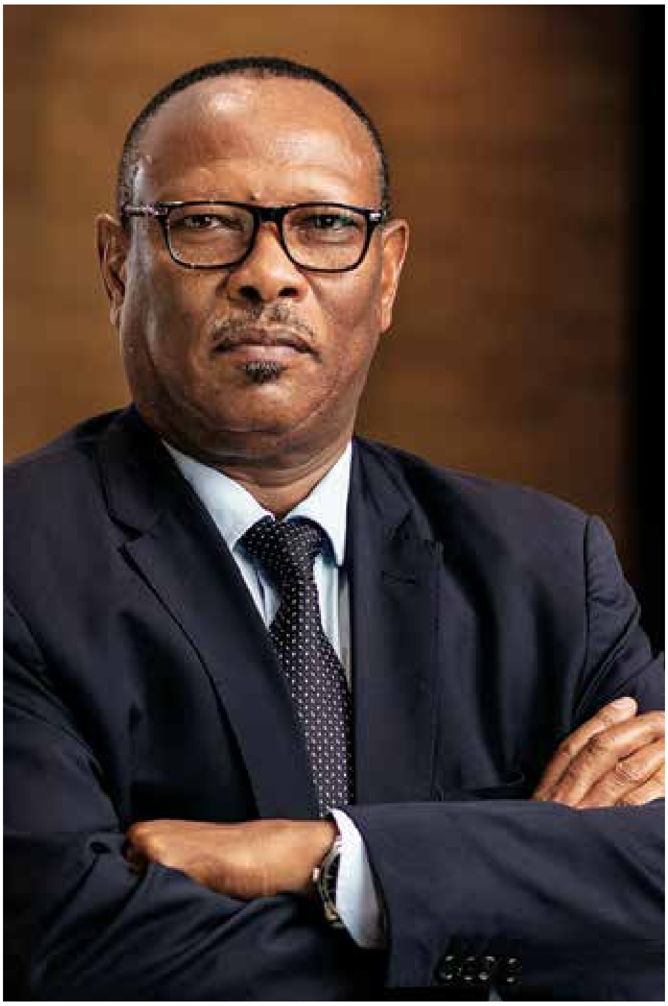
MR. ABDUL ALLY MOHAMED
(Non- Executive Director)

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

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

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

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



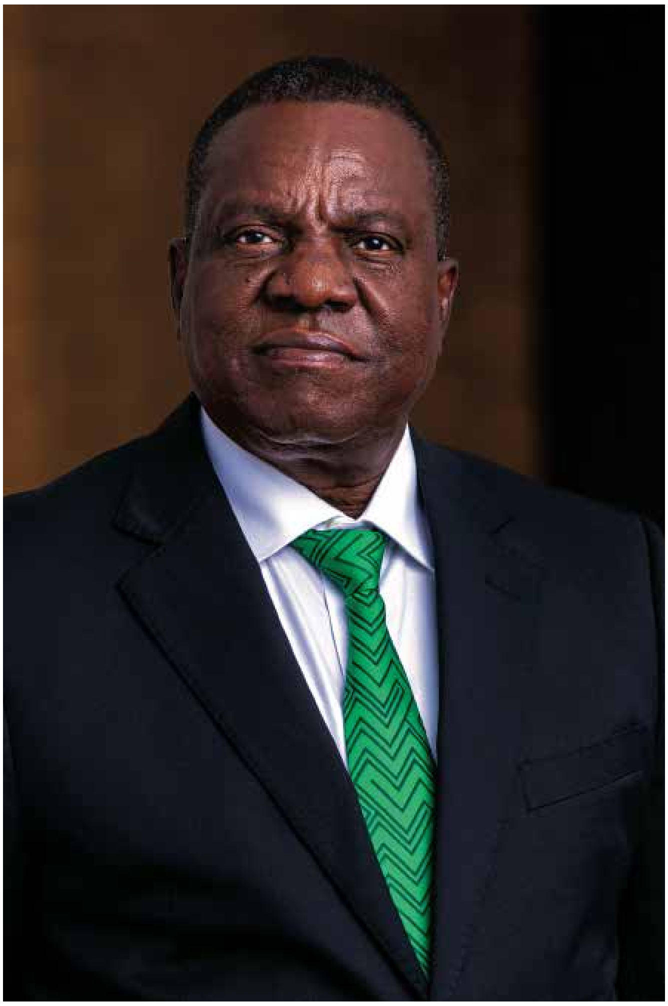
PROF. FAUSTINE KARRANI BEE
(Non – Executive Director)

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

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

Prof. Bee served as Deputy Principal (Academic) between 2007 and 2010 and became the Principal between 2010 and 2014. He spearheaded the transformation of MUCCoBS into a full-fledged University - the Moshi Co-operative University (MoCU), and he was appointed its first Vice Chancellor.
He holds a Doctorate and a Master's degree in Development Studies; and a Bachelor Degree in Economics. He was a Visiting Research Fellow of the Institute of Developing Economies in Tokyo, Japan between 1995 and 1996. He has attended various conferences and workshops organized locally and internationally. He has published widely.

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

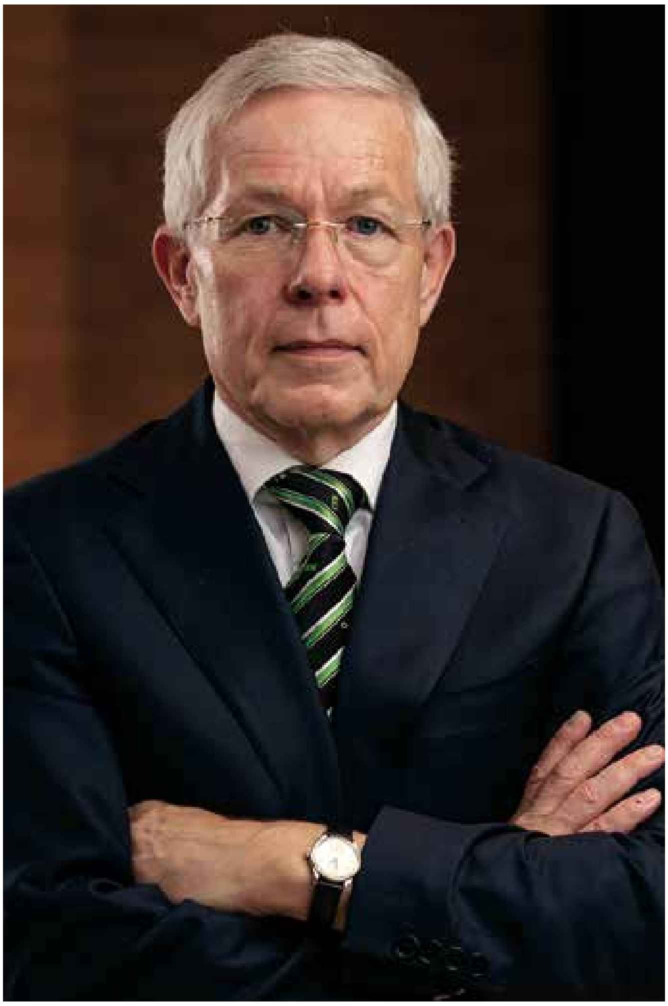


ENG. BONIFACE CHARLES MUHEGI
(Non – Executive Director)

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

He boasts of vast experience in the engineering and construction fields, having previously worked with the National Construction Council and Tanzania Electric Supply Company LTD (TANESCO). Engineer Muhegi obtained his training in the spheres of engineering and construction management from reputable higher learning institutions namely; Master of Science in Engineering from University of Melbourne, Australia, Bachelor of Science in Engineering (Civil) from University of Dar es Salaam, Advanced Post Graduate Diploma in Construction Management from the Institute of Housing Studies (his) Rotterdam, Netherlands. He has also attended short courses and seminars locally and abroad on technical, management and governance issues.

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



MR. JES KLAUSBY
(Non- Executive Director)

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

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

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

MS. MIRANDA NAIMAN MPOGOLO
(Independent Non- Executive Director)

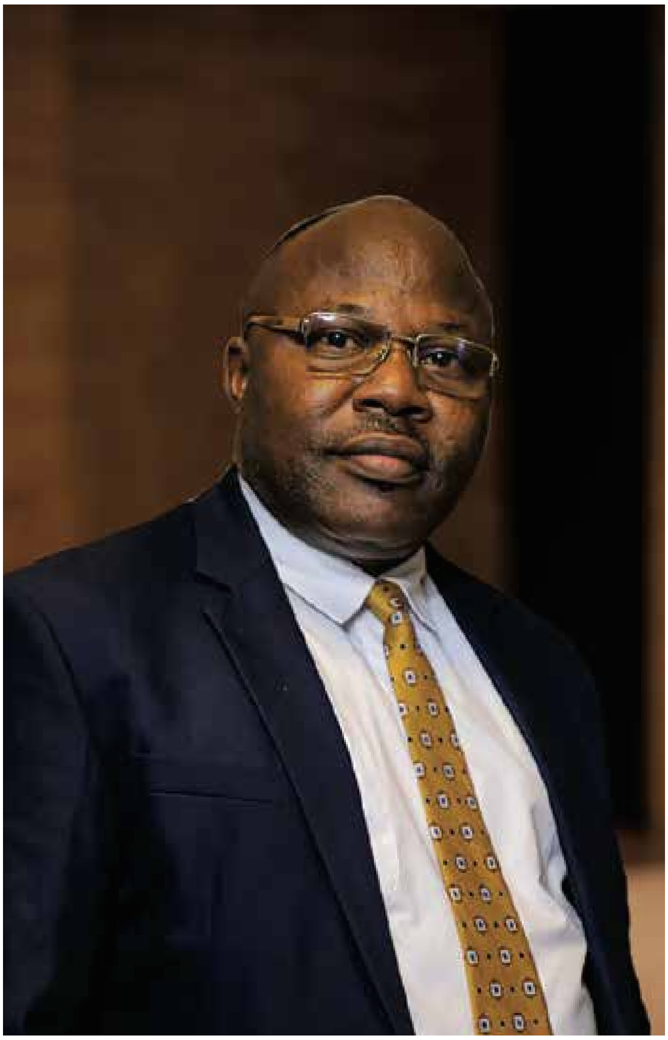
Miranda describes herself as 'an unstoppable force for good' and is the Founder and Managing Partner of Empower - a disruptive Consulting Firm that passionately provides Talent, Advisory and Insight services to clients across the African continent. She is a Forbes-acclaimed, Tanzanian Entrepreneur who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

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

Miranda is Board Chair of the African Women Entrepreneurship Cooperative that empowers hundreds of women from across the continent. She is Board Vice Chair of CCBRT Hospital and an active member-leader of the Entrepreneurs' Organization (EO) where she serves as Incoming Chair of Global Learning.

As a reflection of her passion for Education and Youth Empowerment Miranda served as Board Member for READ International that builds libraries in Tanzanian public schools and AIESEC; empowering young people to make a progressive social impact. She relishes connecting with nature by spending time on the beach, hiking mountains and sharing quality moments with family enjoying great food.

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



MR. ROYAL JOHN LYANGA
Non- Executive Director

Royal Lyanga is a finance and tax expert with 20 years of experience in tax administration, financial planning and public policy. He currently serves as the Assistant Commissioner for National Planning and Development at the Ministry of Finance and Planning, responsible for coordinating the preparation and review of long-term Development perspectives for the government of the United Republic of Tanzania. He is a key resource in formulating the medium and long-term plans to implement the Tanzania Development Vision.

Before joining the Ministry of Finance and National Planning, Royal served as Manager, Statistics & Business Intelligence at Tanzania Revenue Authority (TRA). Before that, he worked variously as the Principal Statistician at the Revenue Authority, where he rose through the ranks from a statistician then principal statistician. Earlier in his career, Royal had worked as an Assistant Lecturer at the Institute of Finance Management (IFM) in Dar es Salaam-Tanzania.Royal also serves on the Board Tembo Nickel Corporation, the world's largest nickel deposit project, being undertaken as a joint venture between the Tanzanian government and a British firm, Kabanga Nickel. He also serves as a representative of the Ministry of Finance and Planning on the Committee of Finance and Budget of the Board of Directors for TAZAMA Pipeline Limited; and a member of the Commission for Review of Government Revenue and Expenditure Systems (CRGRES). In addition, Royal is a Presidential appointee to several negotiations and technical committees, particularly in the extractives industry.

He has over 15 years of experience in financial risk management, statistics and data analysis, research and policy analysis, tax revenue forecasting, financial modelling, planning, monitoring & evaluation, fiscal policy formulation and trade statistics.He holds a Master's Degree in Statistics from the University of Dar es Salaam, Tanzania. He has attended diversified training from acclaimed institutions, including Duke University (North Carolina, USA), Pretoria University (South Africa).

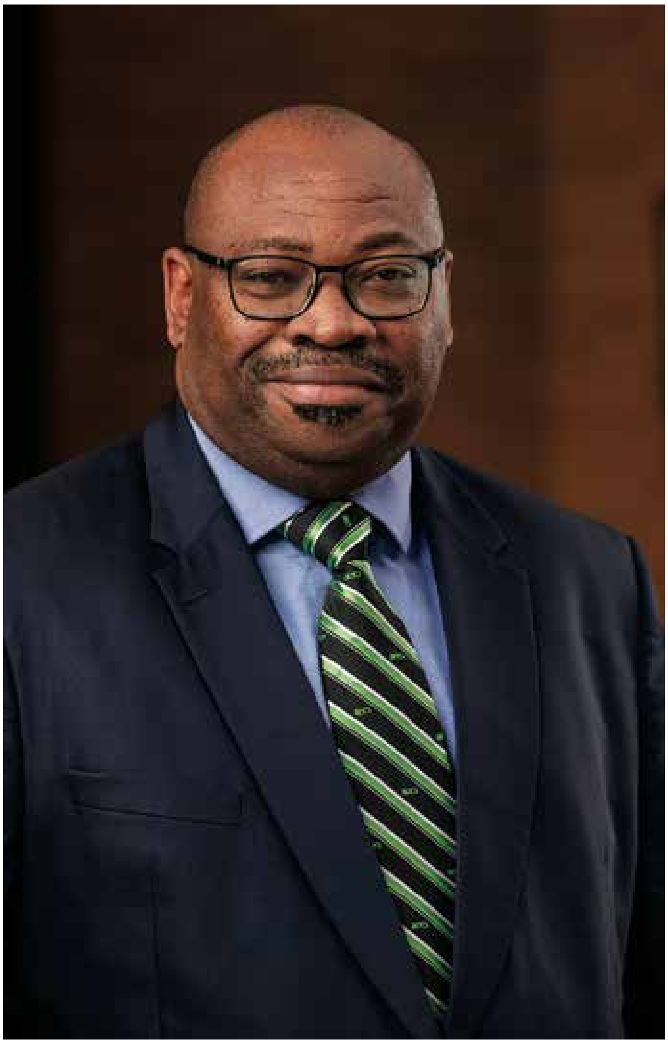
MR. MARTIN STEVEN WARIOBA

(Independent Non- Executive Director)

Martin Warioba is Founder and Managing Partner at Warioba Ventures, Africa-focused investment and advisory firm that provides pre-seed and seed investment funding and builds sustainable ecosystem to support fintech and other technology-related startups focusing on tackling Africa's great challenges. Martin oversees management and operations of Warioba Ventures.

He has over 20-year experience in Information Technology and payments, both as consultant, project manager and software developer. Martin is one of key Payments and Digital Financial Services (DFS) experts in Africa and he was instrumental in development of payment scheme rules for world's first mobile wallet-to-mobile wallet interoperability between Mobile Network Operators (MNOs) in Tanzania as well as Democratic Republic of Congo, Rwanda, and Uganda. He advices Central Banks, Commercial Banks, MNOs, FinTech, Startups, Public and Private Sector, NGOs on Corporate Strategy, Technology, Payments, DFS Interoperability, Policy & Regulations, and Digital Economy

Previously, Martin was a founder and Managing Partner at WS Technology Consulting, a technology consulting firm that operated across East Africa for 11 years. He also worked with Deloitte Consulting US LLP and Central Bank of Tanzania. Mr. Warioba has 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 sits on the board of CRDB Bank PLC and its Audit committee as Independent, Non-Executive Director since January 2020. He is a certified Project Management Professional (PMP) and one of Tanzania Project Management Institute (PMI) Chapter founders. Martin is committed in mentoring young African professionals in areas of technology, corporate governance, and leadership. Due to his well-rounded technology and management expertise, Mr. Warioba is a regular speaker in many conferences and events across Africa. In his spare time, Martin enjoys reading, traveling and sports especially golf, basketball, athletics, and soccer.



JOHN BAPTISTE RUGAMBO

Company Sectertary

John Baptiste Rugambo is an experienced corporate secretary with more than 20 years of experience. He joined CRDB Bank Plc in November 1999 and rose through the ranks to the current designation. Before being appointed Company Secretary, Mr Rugambo served in various positions within the bank, including working as Director of Marketing and Research, Marketing Manager, Project Manager Tembo Card and Manager Institutional Customers.

Before joining CRDB Bank Rugambo worked for Citibank as Head of Customer Service and Relationship Officer Financial Institutions. He serves on the Advisory Board of AIESEC in Tanzania and is a Founder Member of the Institute of Directors Tanzania, where he previously served as Vice Chairman and Chairman of the Institute.

He holds an MBA in International Business Administration and a Bachelor's degree in the same field from the United States International University of Africa (USIU) in Nairobi, majoring in Marketing. He has also attended the Senior Executive Leadership Program of the London Business School (LBS).

MR. ABDULMAJID NSEKELA

Chief Executive Officer and Managing Director

Mr. Abdulmajid Mussa Nsekela joined CRDB Bank Plc in October 2018, after more than a decade of service at National Microfinance Bank Plc. Before this role, Nsekela served as Chief/ Head of Retail Banking at NMB Bank Plc and in other leadership positions at the bank, including as Head of Personal Banking and as Senior Manager, Personal Banking. Nsekela's career in Banking spans over twenty (20) years, covering Retail Banking, Corporate Banking, Branch Operations and Control Functions. He has immense experience in Strategic Management, Transformational Leadership and Business Turnaround Strategy. He has successfully led teams to deliver on various key projects that have revolutionized the banking sector in Tanzania; including driving adoption of digital banking and development of financial delivery channels, through digital payment platforms. He is credited with the transformation of the retail banking infrastructure at NMB Bank and the branch network expansion.

Earlier in his career, Nsekela worked for CRDB Bank as a Bank Officer and later was selected to be part of the transition team that transformed the Bank's cultural environment. In 2000, he was promoted to Relationship Manager and 3 years later to a senior Relationship Manager. Nsekela astuteness in business leadership has earned him key roles on various Management Boards in the United Republic of Tanzania. He is the current Chairman of Tanzania Bankers Association, an umbrella body that brings together players in the Banking industry in Tanzania. He also serves as a council member of Tanzania National Business Council (TNBC) and the Tanzania Financial Inclusion National Council. Nsekela is an esteemed member of the boards of Tanzania Private Sector Foundation (TPSF) and Tanzania Mortgage Refinance Company Limited (TMRC).

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

FINANCIAL STATEMENTS

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THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2021

1. INTRODUCTION

Those charged with governance have the pleasure to submit their report and the audited financial statements for the year ended 31 December 2021, which disclose the state of affairs of CRDB Bank Plc ("the Bank") and its subsidiaries, CRDB Bank Burundi S.A. and CRDB Insurance Broker Limited (together "the Group").

2. INCORPORATION

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

3. VISION

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

4. MISSION

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

5. ENTITY OPERATION

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 the Republic of Burundi. The principal activity of the Bank and its subsidiary CRDB Bank Burundi S.A is the provision of banking services and CRDB Insurance Broker Limited is engaged in providing insurance brokerage services.

The Bank is a public listed company on the Dar es Salaam Stock Exchange. The share price as at 31 December 2021 was TZS 280 (2020: TZS 225). Market capitalization as at 31 December 2021 was TZS 731.31billion (2020: TZS 587.66 billion).The Bank remains to be the largest commercial Bank in Tanzania with a leading share of total customer deposits at 24% and 22% of assets as of 31st December 2021.

Environmental matters and impact to Group's business operations

The Group, believes that taking care of the environmental and social matters is a serious responsibility for every individual. As a corporate citizen we have embraced a culture of responsible living, with the ultimate intention of building a sustainable work environment with insignificant impact on the environment which can impact business operations. Details on environmental matters, impact and what the bank is doing to reduce the adverse effects of the environment and social risks has been disclosed under section 26.

Bank's employees

Employees play an important role in contributing to the long-term success and performance of the Bank. The Bank believes that its employees are the most valuable assets, and it always make effort to develop their abilities and productivity. It encourages a work culture, foster relationship with them at every level in the Group, make them express their views and share their ideas to bring about improvements towards the achievement of our vision.

This is based on the conviction that a pleasant and safe working climate, with an emphasis on the enduring availability of satisfactorily trained, active and motivated workforce, is critical success factor for the Bank and its subsidiaries. The Bank strives to create an environment responsive to different cultures and groups in all our interactions with employees, customers, visitors, suppliers, contractors, shareholders, investors and in the communities in which we operate.

Social and community issues

The Group acknowledges that Corporate Social and community issues are of increasing importance to our stakeholders and are vital to the continued success of the Group. As a result, we have a Corporate Social Investment policy (CSI) that guarantees we operate our Group in a responsible manner at all times for the benefit of our stakeholders. The Group implements CSI by partnering with and investing in communities to find sustainable solutions. Employees are also encouraged to be involved in CSI programs aimed at improving the standard of living of the communities surrounding them. Our CSI report has been disclosed under section 38.

The governance

Our Group is founded on strong principles of good corporate governance, which we conceive as integral to our prosperity. We understand the depth of the responsibility placed upon us by our shareholders to safeguard their hard-earned investments. Therefore, we conduct our business openly and transparent manner adhering to tenets of good corporate governance. We have a diverse board of directors that has the right balance of skills and experience to steer our Group into prosperity

The Group has Risk Management Framework which forms the Bank's integral part of corporate governance. It defines the Bank's high-level governance structure; it documents the key responsibilities and accountabilities that are in place to manage risks inherent in the Group's business and operations.

5. ENTITY OPERATION

The Bank's operating model

Our integrated business model is designed to address the widespread needs covering all market segments by responding to the rapidly changing world. Our governance operating model ensure a robust internal governing bodies and proper systems and processes are in place to support our customers and stakeholders.

The Bank continues to be innovative and adopt an agile operating model to be able to respond rapidly to our customers' ever-changing needs. More details of Bank's operating model are disclosed under section 9.

Gender parity/ diversity

The Group values diversity; it believes it to be important to business success and integral to achieving our strategic objective of being the best Bank to work for. The Bank has a strong commitment to diversity and the fundamental principle that it is not a barrier to participation in our workforce, management and on the senior executive. More details on gender parity /diversity are disclosed under section 35.

6. OPERATING STRUCTURE

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 and Insurance. We are transforming our digital presence, providing simpler, seamless interactions through digital platforms while sustaining extensive customer reach through our leading branch network by offering digital solutions including simbanking, internet banking, point of sale (POS) machines and Agency banking (Fahari-Huduma)

Products and services offered

The Bank has grown to become the most innovative and preferred financial services partner in East Africa, supported by uniquely and updated services like CRDB agency banking, Mobile banking, and internet banking. The main services provided by CRDB are Capital market, Insurance brokerage service, corporate banking, small business banking, Institution banking and Consumer banking through a network of 254 branches including mobile branches, 558 ATMs which include depository ATMs, 3,413 Point of Sales (POS) terminals and more than 19,000 banking Agents.

7. OPERATING ENVIRONMENT

The operating environment remained stable amidst the turbulent dynamics of the year. The impact of COVID-19 strained some sectors in the economy. Despite the impact of the pandemic on some key sectors, and disruption of global trade, the economy sustained minimal disruption due to policies in place by the government to mitigate the impact. The economy continues to recover to the adverse impacts of the COVID-19 pandemic. At glance, 2021 has been a year of recovery from the surge of the impact of the COVID-19 pandemic that created great instability and high volatility in global capital markets. The Government embarked some measures to stabilize the economy and mitigate the impact. The Banking sector's performance was satisfactory, remaining resilient and recording a good performance in 2021, all things considered.

Macro and micro economic overview

Tanzania

Tanzania has sustained relatively high growth in economy this year, bolstered by strengthened private consumption and recovered exports as global restrictions has been eased. GDP grew by 5.5% in 2021 supported by the large infrastructure spending, improved and stable power supply mainly from natural gas, which is expected to boost performance of other sectors including manufacturing and trade, revival of the central railway line in standard gauge, increase in the capacity and efficiency of the Dar es Salaam and Tanga ports, increase in financial deepening, implementation of economic policies under the Five-Year Development Plan II (FYDP II) and scaling-up of onshore gas production and construction of oil pipeline from Uganda to Tanzania.

Growth is also seen accelerating next year following the pandemic-induced slowdown. Large construction projects bode well for employment levels, which in turn will bolster private spending, while exports will benefit from healthier trade dynamics. That said, still-weakened fiscal metrics and lingering uncertainty over the evolution of the pandemic pose downside risks. GDP is expected to grow by 5.7% in 2022.The annual headline inflation rate end of December 2021 has increased to 4.1% from 3.2% reported same period last year, the increase mainly attributed to price increase for some non-food items. Money supply(M3) grew at annual rate of 14.7% in December 2021 compared to 5.6% in the corresponding period in 2020.Credit extended to private sector grew at an annual rate of 7.8% in December 2021 compared with 3.0% in the corresponding period 2020.

Interest rates charged on loans by Banks recorded a mixed out turn in the year ending December 2021. In particular, the overall lending rate averaged 16.5%, slightly below 16.7% in the year ending December 2020. One-year lending rate averaged 16.7%, up from 15.8% in the corresponding period of 2020. Negotiated lending rates for prime customers remained broadly unchanged at around 14%.

Burundi

Burundi has experienced a difficult economic situation over the last six years, which has caused both fiscal and balance of payments difficulties. To compensate for the loss of external resources, the Government has strongly mobilized internal resources, but this has not been sufficient to meet an ever-increasing social demand, driven by sustained population growth. The shock linked to the COVID-19 pandemic interrupted a still fragile economic recovery and intensified macroeconomic imbalances. Economic growth grew at around 2% in 2021 against 0.3% in 2020, supported by an easing of restrictions related to COVID-19, including the lifting of the quarantine requirements and the reopening of part of the borders. Inflation remained high at around 7% in 2021 against 7.5% in 2020, driven by rising food prices and monetization of the fiscal deficit.

7. OPERATING ENVIRONMENT (CONTINUED)

Burundi (continued)

Regulatory environment

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

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

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

Competitive position

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

CRDB will continue to drive a digital transformation agenda towards building the Bank of the future and creating value to our society through access to credit, financial inclusion and social responsibility programs. The Group will continue to leverage its competitive advantage through customer centricity, improved technology, wide network of more than 250 outlets and a committed work force to deliver value to all stakeholders. The Bank continuing to support customers demand which has been a critical focus of the CRDB Group throughout the year. This has been achieved through providing banking services to all over Tanzania and Burundi. We also took steps to support customers who were unable to visit branches by bringing banking services near them through mobile and agency banking.

Market forces

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

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

Needs and interests of key stakeholders

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

Stakeholders	Stakeholders' needs and expectations
Employees	- Career development and advancement opportunities - Challenging work, with opportunities to make a difference - Employment at a company with a strong brand. - An empowering and enabling environment that embraces diversity and inclusivity. - Fair remuneration, effective performance management, and recognition - A safe and healthy work environment
Customers	- Innovative financial solutions and services - Convenient access to banking services through digital channels. - Excellence in client service. - Value-for-money banking that is competitive and transparent in pricing.
Suppliers	- Fair bidding and timely payments
Shareholders/ investors	- Shareholder value creation through share price appreciation and an attractive and sustainable dividend stream - Continuous engagement to inform their investment decisions.
Regulators and policy makers	- Compliance with all legal and regulatory requirements - Being a responsible taxpayer in all jurisdictions where we conduct business. - Active participation and contribution to industry and regulatory working groups.
Society	- CRDB providing access to relevant financial solutions that help to achieve desired outcomes for individuals, their families, their businesses, and their communities. - CRDB influencing its stakeholders to act responsibly in environmental, social and governance matters - CRDB partnering with the community to address common social and environmental issues to build a thriving society.

7. OPERATING ENVIRONMENT (CONTINUED)

Speed and effect of technological change

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

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

Societal matters in the environment we operate

Financial inclusion - Building on our desire to transform, we remain keen on deepening access to financial services in the East African region because we believe financial inclusion has a bearing on our sustainability. We strive for full inclusion for the unserved and underserved population within our markets of operation. CRDB Bank has taken financial inclusion as a social responsibility, aggressively working to ensure financial inclusion is enhanced in the country through our wide range of network, ATMs, mobile branches, Agency banking and point of sales.

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

Human rights - CRDB Group complies with all regional and international human rights instruments. We also promote human rights through our employment policies and practices, through our supply chain and through the responsible use of our products and service in accordance with the requirements of the Constitution of Tanzania and Burundi.

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

Environmental challenges

In a bid to enhance the economy and maximize wealth, humans continue to engage in activities that are detrimental to the environment. As a result, the world is faced with the challenges of climate change, such as floods and heat waves. Concern for environment related issues is increasing globally and, recently, among enterprises and institutions, leading to the development of various means of evaluating it. Climate change presents a conspicuous threat to societies as well as natural environments. As a financial services provider, will continue to promote environmental sustainability to mitigate climate change risk in Tanzania and outside Tanzania while using constructive and advanced initiatives to contribute towards a more sustainable future for the societies in which we operate.

Political environment

CRDB group is operating under stable political environment in both two countries in which it operates to safeguard the interests of shareholders and meet stakeholders' needs, and overall stabilization and growth of the Bank and economy at large. The stable political environment has also promoted the increase in foreign and domestic investments and operations through fair and stable tax regime, and policies induced by the government leading to the increase of production capacity. The country political stability provides assurance to both local and international stakeholders, increased investments.

8. GROUP OBJECTIVES AND STRATEGIES

Review of 2021 strategies

2021 was the 4th year of implementation of the Five-year Business Strategy of the Bank for 2018 – 2022. In perspective, the Group continued to be resilient, as it recovered from the surge of the impacts of the COVID-19 pandemic, which has created significant instability and high volatility in the global markets. However, we continued to strengthen our balance sheet, stakeholder engagement, channel distribution harmonization, portfolio quality management, ICT infrastructure, resource optimization and capacity building. In return, the Bank recorded a high growth evidenced by profit after tax growth of 62% YOY, with critical parameters above budget.

The key drivers for this growth are; the ability and flexibility of the Group to adapt to the new business environment.

Key milestone from 2021 Strategies

Business growth

- Launched strategic campaigns to drive acquisition and usage
- Developed solutions for under-served segments
- Harmonized service tariffs to increase customer retention and share of wallet.
- Secured funding capabilities to capture market
- Pursued strategic partnerships to increase our capacity to serve customers' critical needs
- Reinforced sales culture by building the capacity of teams, adequately resourcing them and creating networking opportunities in strategic events.

8. GROUP OBJECTIVES AND STRATEGIES (CONTINUED)

Key milestone from 2021 Strategies (Continued)

Channel Optimization and Service Experience

- Extended new service offerings on digital platforms to deliver seamless experience
- Enhanced customers' feedback loop and increased products knowledge through QR Code and SMS Short Code.
- Launched digital KYC update through Mobile with biometric capabilities.
- Enhanced Digital options through various integrations,

Operational Excellence

Automated critical processes to improve turn-around time-of-service delivery.

- Continued to implement S.S.A program to enhance the transactional experience on digital points
- Improved efficiencies on collections and recoveries through strategic recovery.
- Empowered the Contact Centre team to enhance service experience through enhanced systems capabilities.
- Resources optimization to address cost levers.

People Management

- Initiated roles competency framework to harmonize roles and staff levels.
- Instituted strategic workforce planning - outsourced specialized resources in direct sales, business development and drivers.
- Received recognition for consistent women empowerment drive.
- Sustained leadership development programs to create the optimal environment for performance.

Group short, medium, and long-term strategic 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.

In 2021 the Group were able to lay down the foundations that enable to focus on sales, diversify the business to capture opportunities from key sectors of the economy, address customer pain points, build and restore meaningful partnerships, and strengthen governance.

Moving towards the final year of our strategy, the Group is aspired to deploy bold strategies to address productivity and cost levers building up from the foundations of 2021.The Group strategic aspiration is centered on "customer first, innovative mind and efficiency at core". The Group strategies aim to address internal setbacks and respond to the external setbacks that hinder our performance goals and building the efficiencies that lead to the Group's long-term sustainability while keeping customer at the center of all that we do. Most paramount, the Group to ensure it implement a holistic transformation leading to the Bank of the future.

Strategies to implement strategic objectives

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.

The Group continue to strengthen balance sheet, stakeholder engagement, channel distribution harmonization, portfolio quality management, ICT infrastructure, resource optimization and capacity building. The Group shall continue to create technological strength to increase capacity to serve.

Our service experience aspiration is to enhance the entire operations value chain through process simplification and automation. Thus, we will prioritize the delivery of critical technology projects as enablers and accelerate process re-engineering programs.

Group vision

To be the leading Bank which is customer need driven with competitive returns to shareholders

Group strategic pillars

In 2018, the Bank embarked on its five-year (2018-2022) strategy based on three strategic pillars of transforming the existing machine, building the bank of the future, and addressing the enablers. The Strategy stems from the backdrop of the current operating environment, competitive landscape, and internal operating dynamics which the Bank leverage from its competitive advantage for current and future growth. The strategy also focused on digital transformation towards building the Bank of the future.

Transform the Existing Machine - Transform the branch network, improve credit, and deposit practices, and double the business size through Tanzania growth.

Build a Bank of the Future - Build banking capabilities to achieve seamless digital experience by
creating a ring-fenced digital factory with agile delivery squads to lead the future innovations and transform the Bank from within.

Address the enablers - Address enablers of sustained organizational health, industrialized capability building, and modernized performance management.

8. GROUP OBJECTIVES AND STRATEGY (CONTINUED)

Group strategic pillars (Continued)

Our strategy framework

The Bank set a framework which set the strategy to achieve the objective set

Objective	Strategy
Strategic	- Provide distinctive customer experience. - Attract new and retain existing customers - Increase the transaction income - Compliance with Regulation - Increase in market share
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

Key performance indicators (KPI) for 2022

The below are the bank's KPIs that those charged with governance use in measuring the achievement of strategic objective set and managing bank's operations.

Key financial performance Indicator	Target
Return on Equity	> 20%
Return on Assets	> 4%
Cost to income ratio (CIR)	< 55%
Growth in customer deposits	> 12%
Non-performing loans to total loans	< 5%
Growth in loans and advances to customers	> 10%
Growth in total assets	> 15%
Key Non -financial performance indicator	
360-degree view of payment process and improve Turn Around Time(TAT)	Payment to suppliers within 30 days
Increase global recognition	Winning at least one best presented financial reporting award.
Enhance compliance	Reduce penalties on non-compliance
Drive cost culture	10% savings from the budgeted operating cost.

Implementation status of strategic objectives

Those charged with governance manage the Bank's operations by monitoring the achievement of KPI set on quarterly basis through the performance reports which are being presented by Management, highlighting the achievement of each KPI, challenges if any regarding internal or external environment and the support required to achieve the set objectives.

9. GROUP BUSINESS OPERATING MODEL

CRDB Bank plays a key role in connecting the providers and users of capital. We recognize the role we play in society, and our success as a business has always been closely linked to the progress of the people, communities, and businesses we serve. We aspire to grow and deliver value for all our stakeholders.

For us, value is best illustrated in the quality of lives of our shareholders, our people, and the community around us. In driving value for our stakeholders, we anchor our actions on a firm foundation of defined strong values.

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

9. GROUP BUSINESS OPERATING MODEL (CONTINUED)

We have a robust portfolio supported by a resilient balance sheet and great talent. We invest in people, technology, and processes to deliver value in a responsible and sustainable manner. Therefore, through innovation and strategic investments, we continue to expand our delivery channels to deepen access to financial services.

The Group has a robust plan to drive financial inclusion with a clear aim to serve the underserved communities and include the lower segment of the market into the financial ecosystem.

As a leading Commercial Bank in Tanzania, our relevance today and in the future, along with our ability to create value for our stakeholders is dependent on our capability to effectively manage and leverage the forms of resources available by transforming inputs, through our operating activities, into outputs and outcomes that aiming to fulfill the Bank's strategic purposes and create value over the short, medium, and long term.

Inputs employed to provide service to customers

Below are the key inputs relating to the key resources on which the Group depends to provide services to the customers;

Resources	Inputs
Financial resources Our shareholder and debt funding gives us a strong financial capital base that supports our operations and fund growth. Financial capital includes the funds our customers invest with us.	- Strong balance sheet with Total assets TZS 8.8 trillion and equity TZS 1.2 trillion - Market capitalization TZS 731.3 billion - Leading market share of total customer deposits 24% and 22% of total assets
Human resources We have an engaged and motivated workforce that is guided by a clear vision and anchored in strong values. We are focused on embedding a culture of continuous development, which increases competitiveness and investment in the development of skills required by employees to serve the digital customer of the future.	- The Group total workforce stood at 3,650 employees, where 2081 (57%) were males and 1,569(43%) females. - The biggest age group in our workforce is below 35 years of age(51%),(47%) are between the age of 36-55 years and (2%) are above 56 years. - Experienced and competent leadership team - Gender and diversity inclusiveness - Equal opportunities in training and development - Free of discrimination and harassment
Intellectual resources We have invested in a strong brand and subsidiary businesses, strategic partnerships and innovative products and solutions that we offer to our customers. We have made commendable progress in digital adoption with focus on automation, which is a key driver of delivering our digital strategy.	- Strong heritage brand made in Tanzania - Our philosophy of service is driven by our deep belief in innovation - Our sustainability strategy speaks to our desire to spearhead innovation in the financial services sector
Manufactured resources Our physical and digital infrastructure through which we conduct business activities. It includes our branch network, digital platforms, and IT estate which we are in the process of enhancing and simplifying.	Our distribution network comprising banking outlets (254), ATMs (558) including deposit ATMs, POS machines (3,413), CRDB Wakala (19,165) and other customer touch points constitute this capital. It also covers our IT infrastructure and security.
Social and relationship resources In our engagements with key stakeholders, we continuously strive to deliver a meaningful value exchange. We value the views of our stakeholders because they play a significant role in shaping our response to business and societal issues	- The Group ensure employees are committed and connected which address the needs of our stakeholders. - Employee engagement has appeared as a critical instrument of our business success in today's competitive banking environment. - No of customers 4.3 million - The Group has a strong corporate governance - Continuous engagement with regulators - The Group policy of 1% after tax profit goes back to the community on health, education and environmental matters.
Natural resources The environmental resources used throughout the Group's operations. We are committed to reducing our carbon footprint by remaining conscious to our materiality.	- The Group is keen on the consumption of electricity, fuel, water at our offices and driving paperless culture. - The Bank finance projects and businesses which manage their social and environmental impact in a responsible manner. - The Group embraces a culture of responsible living, with the ultimate intention of building a sustainable work environment.

Our core business activities

The Group differentiate itself in the market by providing excellent service to our customers. The Group strategic aspiration is centered on "customer first, innovative mind and efficiency at core". Our deep technology and infrastructure capabilities drive seamless customer experiences and support strong resiliency. We have invested in technology which enable competitive product development, implementation of reliable techniques for control of risks and enhancement of digital channels which help the Bank to reach geographical faraway and diversified markets.
The Group business operating model relies on several revenue generation streams after delivering services to our customers in various services as below;

9. GROUP BUSINESS OPERATING MODEL (CONTINUED)

Accepting customer's deposits and providing secured and unsecured loans in form of term loans, overdraft, salary advance, credit card, Letter of credit and guarantee based on customer needs and risk appetite. Providing transfer of fund within and outside the country through various channels such as simbanking, internet banking, Swift, TISS etc.

- Protecting against risk through Bancassurance unit which provide insurance services
- Trade and supplier finance through issuance of Letter of credit and guarantee as a working capital to access international markets.

Bank approaches the need to innovate

Innovations which are being implemented by the Bank, comes from both, bank business strategy and customer needs. Is the Bank that listen, we listen what our customer need at that specific time and the implementation of the Bank strategy.

Operating model and response to change

The Bank operating model is designed in such a way, very flexible in adapting to any changes in the environment we operate. For example, change in technology, as a financial services provider, we are very much affected by continuous technological changes as we use technology in most of our activities in the provision of services to our customers.

For the Bank to sustain in the market and stay competitive in addressing market demands while improving customer experience requires continuous innovation. The bank's strategy is continuously promoting and drive agile culture throughout the organisation to manage speed and adapt the changes in the environment we operate.

Our delivery channels

- We have a robust branch network comprising 254 branches inclusive of 20 mobile units in all districts across mainland Tanzania.
- Robust Mobile Banking Services, Self Account opening, Bills Payment, etc.
- Internet Banking,International Money Transfers
- Debit and Credit Cards VISA, Union Pay, MasterCard cards
- We have motorised branches that provide services in remote locations and 20 Mobile Bank Units
- Banking Agents-the agents are spread across the country to complement our service points. End of the year, the Group had 19,165 banking agents

What we offer/Output

CRDB Bank is an integrated financial services provider and the largest Bank in Tanzania with a combined asset base of TZS 8.8 trillion (2020: TZS 7.2 trillion). We offer a comprehensive range of financial services to individuals, Small and Medium-sized Enterprises (SMEs) and corporations. Our integrated business model is designed to address the widespread needs covering all market segments by responding to the rapidly changing world.

The below are the key products and services offered by the Group

- We offer tailor-made solutions for business owners to address their daily needs. We focus on making banking easy for our customers and focus on growing their businesses through provision of working capital solutions such as loans and advances.
- We provide corporate financing solutions to finance major companies in the public and private sector through performance guarantees and issuance of Letter of credit to access International markets.
- We are dedicated to helping our customers get the most out of their money. That is why we offer different types of banking services to meet a variety of needs through secured and unsecured personal loans.
- Insurance Brokerage Services the Group work closely with leading insurance partners to offer our customers the best insurance services that suit their needs.

Outcomes

We deliver value to our stakeholders and fulfilling a vital role in the economies in which we operate.

Stakeholders	Outcome
Employees	- A workplace where employees can be productive and achieve their potential. - Performance underpins the rationale for recognition and reward. - Self-led development and an opportunity for career progression.
Customers	- Innovative, efficient cost-effective banking solutions that meet their needs. - Improved access to markets and financial services including access to information and advice - A safe and trustworthy financial services provider - Supporting financial goals for our customers with products and services delivered through a superior offering.
Regulators	- Continuous streamlining with all required regulations - Fair and ethical engagement when dealing with the Group. - A stable financial services sector - An inclusive and transformed sector - During the year tax TZS 99.6 billion was paid to the Government
Society	- Providing support to our communities, and access to social and environmental financing to address societal needs. - Increased access to, and funding for education, health, and sports -related opportunities.
Investors/ shareholders	- Delivering attractive and sustainable shareholder returns on their investment on the foundation of a strong balance sheet. - Attractive dividends and growth in share price. The Bank paid TZS 22 per share as dividends in year 2021 for 2020 performance and expect to pay TZS 36 per share in 2022 for 2021 dividends.

10. FACTORS IMPACTED OUR ABILITY TO CREATE VALUE

Our operating environment is characterised by increased competition, disruptive technologies, changing consumer behaviour and regulatory and policy changes. Within the context of our current strategic, cultural, and digital journey. The Bank manages the following material matters;

ISSUE	RISK/IMPACT ON VALUE CREATION	OUR RESPONSE
Increasing Competition	Loss of market share coupled with pressure on revenues and possible loss of revenues if our offerings don't remain competitive.	Delivering innovative products and services through an increasingly automated and digitized environment.
Disruptive technologies and digital adoption	Digital transformation is changing the way we do business, from client on-boarding and products sales to servicing.	Improving our partnerships to drive greater alignment between our business and technology partners to ensure we remain agile in the face of change.
Rising stakeholder expectations	Stakeholders' sentiments can impact our reputation and, affect the cost and availability of funding that is required to drive long-term performance.	Increased engagements with stakeholders to best understand their expectations to incorporate into our strategic planning. Adopting integrated reporting to increase transparency on our value creation process.
Ongoing regulatory and policy changes	Growing compliance costs which may have to be passed on to customers and ultimately impact shareholder returns.	Allocating a material proportion of our investment to regulatory compliance and risk prevention initiatives. Engagement with policy makers and communities to advocate for appropriate regulatory reform. Maintaining constructive and proactive relationships with key regulators.
COVID-19 Pandemic	Slow growth in loans and advances, lower interest rates, slower transactional volumes that impact revenue growth and increase in higher bad debts resulting from job losses, and loan defaults by businesses.	Increased focus on credit risk, liquidity management and capital preservation. Extended support to customers whose businesses were significantly impacted by COVID-19.

11. CURRENT FINANCIAL PERFORMANCE AND FUTURE DEVELOPMENT PLANS

Financial performance

Those charged with governance are responsible for the vision, mission, and strategic objectives of the Group and ensure the overall objectives are being supported by business plan, budgets and marketing plan. The board is also responsible for the review and approval of operational and financial objectives of the Group, amendments of key performance indicators, financial statements before publication and succession plan of senior management including chief executive officer. Quarterly the performance of the Group is being presented to the board by management to monitor the performance and advise management accordingly.

Group Performance

CRDB Bank remains to be the largest commercial Bank in Tanzania with a leading share of total deposits (24%) and total assets (22%) in the market. During the year, the Group's total asset grew 23% to TZS 8,817.6 billion (2020: TZS 7,170.5 billion) whereas customer deposits increased by 19% to TZS 6,489.6 billion (2020: TZS 5,434.6 billion). Loans and advances to customers increased by 28% from TZS 3,929.1 billion in 2020 to TZS 5,040.4 billion in 2021. Innovative products and services that were offered to the public contributed such positive trend.

In 2021 the Group recorded a profit before tax of TZS 387.4 billion (2020: TZS 236.2 billion), an increase of 64% from the previous year. During the year, interest income increased from TZS 699.3 billion recorded in 2020 to TZS 790.4 billion in 2021, an increase of 13%. The interest expenses increased from TZS 118.8 billion in the prior year to TZS 144.6 billion, an increase of 21%. Combined with commissions and fees, total non-interest income increased from TZS 264.7 billion to TZS 329.3 billion, an increase of 24%. Operating cost increased by 3% from TZS 499.5 billion in 2020 to TZS 513.3 billion in 2021. Cost management and digital transformation initiatives show positive trend towards cost containment.

11. CURRENT FINANCIAL PERFORMANCE AND FUTURE DEVELOPMENT PLANS (CONTINUED)

Performance in the Banking industry

CRDB Bank continue to remain among the top leading Bank in Tanzania in terms of balance sheet size with 22% market share in total assets, 24% market share in deposits, 24% Loans and advances and 28% in capital base.

Key performance indicators of the Bank in comparison with the industry in 2021;

KPI	INDUSTRY AVERAGE	CRDB
Non-performing loans	8.2%	3.3%
ROA	2.6%	4.4%
ROE	11.1%	22.0%
CIR	61.3%	55.3%

CRDB Bank Burundi S.A.

During the year under review, CRDB Bank Burundi made 14% growth of post-tax profit from TZS 11.1 billion recorded in 2020, up to TZS 12.8 billion in 2021. Financial spread grew by 13% to TZS 23.1 billion from TZS 20.4 billion recorded in 2020. Mainly due to growth in the Government securities and credit facilities. Total deposits increased by 66% to TZS 329.4 billion compared to TZS 198.6 billion recorded in 2020. Total assets grew by 57% to TZS 551.1 billion from TZS 350 billion recorded in 2020.

CRDB Insurance Broker Company Limited

During the year ended 31 December 2021 the Company made a profit after tax of TZS 859.0 million compared to TZS 3.6 billion recorded in 2020, representing an annual decline of 76.3%. Commission income earned is TZS 1.8 billion against TZS 8.2 billion recorded in 2020 which represents 78.0% annual decline, the decrease was mainly attributed by transfer of insurance brokerage business to the parent from March 2021 following introduction of bancassurance. Total assets of the Company decreased to TZS 7.1 billion in 2021 from TZS 8.0 billion in 2020, representing a 11.3% yearly decline mainly caused by payments of dividend to the parent during the year.

CRDB Bancassurance

In March 2021, the Group launched Bancassurance operations in the market through partnerships with ten insurance companies. The solution enables customers to conveniently access insurance products including life and non-life under one roof, through mobile banking solutions and our wide range of networks across the country. The solution serves both, CRDB and non CRDB customers starting from customers on boarding, claims, underwritings, commission collections and payments. As at December 2021, commissions of TZS 10.7 billion was earned from life and non-life insurance products. Total operating expenses was TZS 2.6 billion.

Islamic Banking

In Nov 2021, CRDB Bank PLC launched Islamic Banking window operations, known as CRDB Al-Barakah Banking services. The first in Tanzania to offer Islamic Banking services across the country through all CRDB Branch network. These are services that comply with Shariah as part of CRDB Bank's effort to enhance financial inclusion to all Tanzanians. The Group has not disclosed the performance of the window this year because the numbers are insignificant. The disclosure in terms of numbers; income and expenses will be disclosed in 2022.

11. CURRENT FINANCIAL PERFORMANCE AND FUTURE DEVELOPMENT PLANS (CONTINUED)

FINANCIAL PERFORMANCE (CONTINUED) ***Key performance indicators (KPIs)***

Below are the financial KPIs which are used by those charged with governance to track achievements against targets and the performance of the Group as at 31 December.

KPI	Definition and Formula	2021	2020	Purpose
Return on Equity	(Net profit/Total equity) *100%	**22.0%**	16.3%	Measure the ability of the Bank to generate profit from the shareholders' investment.
Return on Assets	(Profit Before Tax/Total assets) *100%	**4.4%**	3.3%	The ratio determine how efficiently a Bank uses its assets to generate a profit.
Operating expenses to Operating Income	(Operating expense/Net interest income + non-Interest income) *100%	**55.3%**	61.6%	Measure the operating cost as compared to the income it's generate. The lower the cost the better the performance of the Bank.
Gross loans to customer deposits	(Gross loans to customers/Total deposits from customers) *100%	**78.8%**	79.9%	Used to assess a bank's liquidity by comparing a bank's total loans to its total deposits for the same period.
Growth in customer deposits	(Increase in customer deposits/Opening balance of customer deposits) *100%	**19.4%**	4.5%	Measure the growth of customer deposits from previous year
Non-performing loans to total loans	(Non-performing loans/Gross loans and advances) *100%	**3.3%**	4.4%	Measure the quality of loan portfolio
Growth in loans and advances to customers	(Increase in Loans and advances / Opening balance of loans and advances) *100%	**28.3%**	16.3%	Measure the growth of loans and advances to customers from previous year
Growth in total assets	(Increase in assets for the year/Total asset opening balance) *100%	**23.0%**	8.7%	Measure the growth of total assets from previous year
Tier 1 Capital ratio	(Core capital/Risk weighted assets including off balance sheet items) *100%	**20.0%**	17.8%	Measure the Group financial strength.
Total Capital ratio	(Total capital/Risk weighted assets including off balance sheet items) *100%	**20.0%**	17.9%	This is a supplementary capital used to measure the Group financial strength
Earnings per share	Profit attributable to equity shareholders/ Number of ordinary shares in issue (TZS)	**102.67**	63.24	Indicates how much money a Bank makes for each share invested.

During the year there were no changes to either KPIs or the computation method that needed to be included in the significant changes in the underlying accounting policies adopted in the financial statements compared to previous financial years.

Group complied with all the regulatory ratios during the year.

The Group KPI targets for 2022 are disclosed in section 8.

Performance of Non-Financial KPIs

Description	2020	2021	YoY
Simbanking (USSD & App)			
Volume (transactions)	29,768,379	**33,849,509**	13.7%
Number of registered accounts	1,177,710	**1,813,526**	54%
Internet banking			
Volume (transactions)	1,177,710	**2,911,581**	62.5%
Number of registered customers	45,266	**52,630**	16.3%
Agency banking			
Volume (transactions)	44,319,837	**56,425,273**	27.3%
Number of registered agents	17,031	**19,165**	12.5%
ATMs			
Volume (transactions)	19,059,525	**21,237,877**	11.4%
Number of registered cards	2,498,971	**3,307,548**	32.0%

11. CURRENT FINANCIAL PERFORMANCE AND FUTURE DEVELOPMENT PLANS (CONTINUED)

Financial performance (continued)

How we Delivered KPI set

- Strong relationship with our stakeholders
- Major investment in digital transformation which led to efficient operations - revamped and launched new SimBanking App and USSD to increase experience and drive usage.
- Aligned branch operations to the new operating model to fit service demands, increase productivity and improve controls.
- Promoted self-learning and accelerated capacity building socially and professionally.
- Conducted HQ and branch processes alignment to optimize resource utilization.
- Paper-less withdrawal at branches using SimBanking
- Automated SLA across the bank to drive customer satisfaction and accountability.
- Migrated DR Data centre to a robust collocation facility enhance ICT resilience

Achievement against budget

In 2021 the Bank achieved remarkable performance and sustained growth amid market dynamics. Our focus was on five strategic key areas namely:

- Protecting the Bank financial strength,
- Building resilience business models,
- Workforce optimization,
- Accelerating automation, innovation and digital adoption
- Prioritizing regulatory and compliance

Based on the planned activities which was well aligned with the Bank strategy, business environment and assumptions used, management managed to deliver all the budgeted numbers as per below with KPIs;

KEY INDICATORS in TZS' billion	ACTUAL 2021	TARGET 2021
PBT	**387**	329
PAT	**268**	224
Total Assets	**8,817**	8,239
Total Deposits	**6,490**	6,376
Net Loan & Advances	**5,040**	4,392
ROA	**4.4%**	4.0%
ROE	**22.0%**	19.0%
CIR	**55.3%**	56.0%
NPL	**3.3%**	3.5%

How the Bank respond on key stakeholders' legitimate needs and interests

The strategy of the Bank focuses on creating the best experience for the customer, and by doing so builds brand loyalty. The Group ensure that the customers are at the centre of a business's strategy. The Group believe that our clients are the primary reason that we exist, and we use every means at our disposal to keep them satisfied. Before we introduce any product or services, we get feedback or comments from our customers, not all but from few which are representing others because is not easy to reach all of them. Even on the existing products and services, in many instances the improvements/ enhancements are done on the response to our customer's needs. Details of stakeholders needs, and interest are disclosed in section 31.

Future development plans

2022 is the final year of the implementation of 2018 -2022 strategy, the bank's aspiration is centred in addressing productivity and cost levers. In 2022, we will put the customer at the centre of what we do by addressing their evolved needs. In addition, we will remain relevant in the business by responding to the market dynamics. We will create a robust support system to match the business aspirations and key drivers of growth. We will increase efforts on business diversification by growing more on Retail banking while focusing on optimization and retention on the corporate side.

On Retail, we will leverage customer segmentation and profiling to offer solutions relevant to the needs. In addition, we will adopt volume and risk-based pricing to drive growth through the affordability context. We will leverage technology and partnerships to drive channel optimization and accessibility. On Corporate, we will focus on trade financing, portfolio de-risking, value chain financing, syndication and structured deals while directing more efforts to capture deposits from FDIs and National-led programs.

Our service experience aspiration is to enhance the entire operations value chain through process simplification and automation. Thus, we will prioritize the delivery of critical technology projects as enablers and accelerate process reengineering programs. Most paramount, we are committed to implementing a holistic transformation leading to the bank of the future. Adapting new culture will drive performance, productivity, and profitability. Create technological capabilities to transform how we operate and offer services, enhancing cyber maturity posture and data protection. Specifically, for 2022, our strategic direction will strike the right balance between business growth and compliance.

11. CURRENT FINANCIAL PERFORMANCE AND FUTURE DEVELOPMENT PLANS (CONTINUED)

Future development plans (continued)

2022 Group aspirations:

- Increase focus on economic sectors to align the group strategies to capture emerging opportunities
- Enhance compliance oversight to adapt and address regulatory changes
- Transform and align business models to address changing customers and key stakeholders' needs.
- Maintain focus on digital transformation and accelerate delivery of digital transformation strategy.
- Leverage on the new and existing competitive advantages to attain market leadership
- Develop bold and digital-based channel distribution strategies to enhance optimization and accessibility.
- Acquire new and optimize existing partnerships to enhance ability to serve and grow.
- Increase focus on financial inclusion to acquire new customers through micro-save & micro-lending.
- Maintain healthy and quality loan portfolio
- Accelerate delivery of technology projects to address system challenges

Investment in capital expenditure in 2022

- Continue with the cross-border investment in Congo
- The Bank will focus on implementation and completion of several ICT projects aimed at creating a scalable infrastructure for future growth i.e., implementation of core banking system.
- Constructions of 1 branch and refurbishment of 4 branches
- Continue investing in digital transformation

The Group's expectations from the investment

The investment made during the year together with a planned investment expenditures will result into an increase in operational efficiencies, costs reduction and consequently increase profitability. The transformation targets to build a superior banking experience and generate value for all stakeholders. To achieve a more prolific performance, the Bank will harness the opportunities brought about by the transformation initiatives being implemented. The Bank will endeavour to ensure continuity of the 5-year business strategy, building on the gains made during the year.

In 2022, the Group strategy is to develop new products and services that will fit the recent needs of our customers to catch-up with the technology to help and support our customers in a sustainable way. The 2022 strategy also aims to unlock the full potential of the Group by entrenching the efficiency of service and transforming our sales force. We have adopted a futuristic model which guarantees the longevity of our Group.

We plan to leverage technology, talent, and opportunities to build a robust proposition for our customers. Key considerations for us in the coming year include sustained expansion of our agency banking business, seeing that it is a cost-effective avenue through which the Group can expand its reach to provide access to financial services for underserved communities in rural areas.

We will also continue to accelerate automation with the view to reduce manual interventions. We believe that this will enhance efficiency in our service delivery and, in turn, deliver a superior experience for our customers. We resolve to get close to our customers more so that we can understand their pain points and help them achieve their financial goals.

12. MAIN TRENDS AND FACTORS LIKELY TO AFFECT FUTURE DEVELOPMENT PLANS

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

Increasing Competition

The competition posed by FinTech, which mainly target some of the most profitable areas in financial services is substantial. It is expected that these Fintech and start-ups would divert revenue from traditional banks and financial Institutions. These new industry entrants are forcing many financial institutions to strive for partnerships and/or acquisition opportunities as a measure to survive. For the traditional bank to continue to maintain a competitive advantage, must learn from FinTech, by providing a simplified and intuitive customer experience.

Cultural Shift

In the digital world, there is no opportunity for manual processes and procedures. Banks need to think of technology-based resolutions to banking industry challenges. As a result, it is important that banks and financial institutions institute a culture of innovation, in which technology is leveraged to optimize existing processes and procedures for maximum efficiency. The cultural shift towards new technologies is reflective acceptance of digital transformation.

Regulatory Compliance

Regulatory compliance has become one of the most significant banking industry challenges as a direct result of the growing number of regulations that banks must comply with. In some cases, banks incur additional cost to stay up to date on the latest regulatory changes to implement the necessary controls. Overcoming regulatory compliance challenges requires banks to foster a culture of compliance within the organization, as well as implement formal compliance structures and systems.

12. MAIN TRENDS AND FACTORS LIKELY TO AFFECT FUTURE DEVELOPMENT PLANS (CONTUNUED)

Rising Expectations

Customers of today's world are very smart and more informed than ever before and expect a high degree of personalized services and convenience out of their banking experience as a result, an increased expectation of digitized experiences. Millennials have led the charge to digitization whereby they prefer to interact with brands via social media and found that they make the larger percentage of mobile and internet banking user. As a result of this this trend, banks can expect future generations to be more users of mobile banking rather than visiting physical branches. The challenge for banks is to maintain a hybrid banking model which can serve both the older and younger generations.

Continuous Innovation

For banks to sustain in the current world, it requires continuous innovation which helps banks stay competitive and address market demands while improving customer experience. Innovation stems from insight, and insight tend to be discovered through customer interactions and continuous analysis. Banks needs 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). The banks should also continuously promote and drive agile culture throughout the organisation to manage speed, scale, and value of the digital transformation.

13. RESOURCES EMPLOYED TO PROVIDE SERVICE TO CUSTOMERS

The Group creates value to stakeholders through the mix of different resources such as financial, human, intellectual, manufactured, social and relationship, natural and other resources. The Group applies a combinations of all the resources without disregarding the other to maximize value in the longer term.

Financial resources

We deploy our financial resources to support our customers and clients achieve their goals. Our strong financial position, sustained growth and consistent shareholder returns are a result of our disciplined approach towards raising, lending, and managing our financial resources/ capital.

It includes customer deposits, shareholder equity, retained earnings and external borrowings among others. Our shareholder and debt funding give us a strong financial capital base that supports our operations and fund growth. Financial capital includes the funds our customers/ stakeholders invest with us.

Our strong base of our financial capital supports our operations and fund growth. Our investors, both debt and equity, played a big part in the makeup of our financial capital to execute the Bank's strategy. In 2021, we leveraged on our funding mix of customer deposits, debt, and equity to run our operations and execute our strategy. The Group maintained a solid capital base and diversified funding sources that enabled us to provide banking solutions competitively across the markets we operate. Group accessed fund at the competitive rates, to efficiently create and maximize shareholder value.

During the year under review, our total equity grew by 20.6% to TZS 1,219.3 billion while our total borrowings declined to TZS 197.9 billion from TZS 238.1 billion in 2020.Through our wide distribution networks and strong financial base we managed to attract and mobilize a balanced mix of deposits to further support our lending activities. Our customer deposits grew by 19% to TZS 6,489.6 billion with the majority being comprised of low-cost deposits powering a 28% growth in our loan book.

Our retained earning form part of Bank's financial capital used in the execution and growth of strategic investments. Bank's retained earnings stood at TZS 943.5 billion at the end of the period under review. Also, despite the onset of the pandemic, the Group recommend paying shareholders dividends amount of TZS 94.0 billion.

Human resources

Our people are our organization. We deliver success through a purpose-driven and inclusive culture. Our people are at the heart of our success. Their diverse skill sets, expertise and industry knowledge constitute our human capital. We further enhance our human capital through continuous training and development programmes. Our focus on developing a skilled and motivated workforce enables us to acquire, serve and retain our customers. We have an engaged and motivated workforce that is guided by a clear vision and anchored in strong values. We are focused on embedding a culture of continuous development, which increases competitiveness and investment in the development of skills required by employees to serve the digital customer of the future.

Intellectual resources

The adoption of data analytics and emerging technologies enables us to increase operational efficiencies. The knowledge and expertise incorporated within our systems, processes and procedures and the equity built in the Bank's brand constitute our intellectual capital. We have invested in a strong brand and subsidiary businesses, strategic partnerships and innovative products and solutions that we offer to our customers. We have made commendable progress in digital adoption with focus on automation, which is a key driver of delivering our digital strategy.

Manufactured resources

This incorporates the Bank's physical and digital infrastructure through which its conducts its business activities. It includes our branch network, digital platforms, and IT estate which we are in the process of enhancing and simplifying. Manufactured resources facilitate our engagement with customers, people, the society, and other stakeholders. Our distribution network comprising banking outlets (254), corporate office, ATMs (558) including deposit ATMs, POS machines (3,413), CRDB Wakala (19,165) and other customer touch points constitute this capital. It also covers our IT infrastructure and security.

13. RESOURCES EMPLOYED TO PROVIDE SERVICE TO CUSTOMERS (CONTINUED)

Social and Relationship resources

In our engagements with key stakeholders, we continuously strive to deliver a meaningful value exchange and manage their expectations. We value the views of our stakeholders because they play a significant role in shaping our response to business and societal issues. Be it with our customers, trade partners and merchants or communities, we take a holistic approach to sustainable value creation by nurturing our long-standing relationships and building new ones. Further, through our corporate affairs department, we work closely with various communities to improve their lives and livelihood opportunities.

Natural resources

The natural resources we consume to conduct our business and seamlessly deliver our products and services constitute our natural capital. Our energy consumption, carbon dioxide emissions, paper consumption and waste management impact this capital. Further, we screen all credit facilities to assess them for environmental and social risks.

We are keen on the consumption of electricity, fuel, and water at our offices and driving paperless transactions through deployment of digital tools and automation. We are committed to reducing our carbon footprint by remaining conscious to our materiality.

Other resources

As a leading financial service provider, well positioned in the market we 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. The Bank ensure compliance in all legal and regulatory requirements in providing the financial services to customers.

Those charged with governance ensure the availability, quality, and affordability of the above resources to produce flows to meet the customer expectation and future demand.

14. OUR STRENGTH

We are the bank that listen. For more than 25 years, we have been serving our customers with a strong conviction and diligence, understanding that our survival as a business is tied to their individual growth and collective prosperity.

Brand

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

Digitalization and innovation

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

Technology and infrastructure

Our deep technology and infrastructure capabilities drive seamless customer experiences and support strong resiliency. We have invested in technology which enable competitive product development, implementation of reliable techniques for control of risks and enhancement of digital channels which help the bank to reach geographical faraway and diversified markets. As a bank we have embarked into the latest technologies to addressing the enablers which assist in a more flexible structure that respond quickly to the dynamics of a fast pace changing market environment.

Operations and governance

Our risk management, governance and controls help ensure customer and client outcomes are delivered in the right way. The Group Risk Management Framework forms the Bank's integral part of corporate governance. It defines the Bank's high-level governance structure; it documents the key responsibilities and accountabilities that are in place to manage risks inherent in the Group's business and operations. The framework also outlines controls, processes, and structures to support proper implementation of Risk Management Strategies. This control framework is intended for use in dissemination of risk management objectives and strategies to all stakeholders in the group.

Effective risk management equips the Group to respond actively to market volatilities and uncertainties using well analysed risk-based information to enable more effective decision-making. In turn, increased our capacity and demonstrated ability to assess, communicate and manage risk builds trust and confidence to customers and the public.

Employee engagement

Shaping a workforce that is ready to meet our customers' needs, now and in the future is the key agenda for the bank. The bank ensure employees are committed and connected which address the needs of our stakeholders. Employee engagement has appeared as a critical instrument of our business success in today's competitive banking environment. Human resource department ensures high levels of engagement of staff which promote retention of talent, nurture customer loyalty and improve bank performance and stakeholders' value. Our employee engagement it is a key link to customer satisfaction, protect bank reputation and overall stakeholder value.

14. OUR STRENGTH (CONTINUED)

Customer focus

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. The banking sector has embraced technology to serve customers more efficiently in delivering relevant and complete digital solutions.

15. PRINCIPAL RISK, UNCERTANITIES, OPPORTUNITIES AND MITIGATIONS

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

The Group's Risk Management Framework is implemented through a 'three lines of defence' model which defines clear responsibilities and accountabilities and ensures effective independent oversight and assurance activities take place covering key decisions. Details of the three lines of defence disclosed in Note no 10.2 of the financial statements.

Risk Management Principles

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

Group's attitude toward risk

We actively take risks, as allowed within our risk appetite and risk tolerance levels as approved by the Board. In taking risks, we exhaustively examine adequacy of the benefit in business terms. Unacceptable risks are risks at a level that exceeds the maximum risk tolerance level, as defined by the Board of Directors, or risks that may impair the growth of the group and perhaps cripple operations. We take a comprehensive perspective, considering regulatory requirements to maximize the group's profitability at a risk level in line with our risk appetite.

Uncertainties in operating environment

In the environment we operate there are unforeseen circumstances which the Group cannot predict in certain. Uncertainty implies the outlook for the economy is unpredictable and there is a high likelihood of negative economic events, however in case of uncertainties the Group has in place a robust risk management process where risk management tools have been deployed to ensure proactive measures are achieved at largest extent.

The Bank continue to monitor the economic environment and execute measures to protect the business by reinventing processes and systems to ensure that we adapt the ongoing changes of economic environment and at the same time protect our customers by offering an enhanced value proposition and having in place contingencies in our business strategy.

We strongly believe that preventing risks enhances shareholder value because it allows us to manage risks proactively and intelligently, which maximizes the Group's potential for earnings, ensures stability and takes measures to protect the business against unexpected losses. Primarily,

Our risk management aims to protect the Group's solvency through the preservation of high asset quality, efficient operations and prudent capital management resulting in sustained earnings that augment core capital, enabling regulatory compliance, enhancing market reputation and stakeholder support.

The table below show the principle risk, the description of the risk, opportunities, and mitigation to address the risk.

15. PRINCIPAL RISK, UNCERTANITIES, OPPORTUNITIES AND MITIGATIONS (CONTINUED)

Principal Risk	Context	Opportunities and Mitigations
Credit Risk	The risk that arises from unmet customer obligations, either willingly or unwillingly, which results in economic loss to the Group.	Our credit risk management strategies are based on achieving the right asset quality and concentration. To achieve this, credit risk is assessed and managed right from credit origination to recovery management. Our assessment methodologies ensures that risks are clearly articulated, throughout the credit management life circle.
Liquidity Risk	Liquidity risk is the possibility of having a shortfall to earnings or capital arising from the likelihood that the Group will not have sufficient cash to meet liquidity demands or situations on which it cannot raise enough liquidity in a cost-effective manner.	The liquidity risk management process is carried out within the group and monitored by the Asset and Liability Committee (ALCO) includes a day-to-day funding management which is managed by monitoring future cash flows to ensure that funding requirements can be met. These include replenishment of funds as they mature or are loaned to customers. The group maintains an active presence in money markets and maintains a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
Market Risk	The risk of financial loss on earnings or capital arising from adverse movement in market rates or prices such as interest rates, foreign exchange rates and equity prices. Market risks arise from open positions in interest rate, currency, price, and equity investments, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices.	The group's Treasury Department where the trading and the Asset and Liability Management functions reside manages market risk, and the Risk and Compliance function independently monitors and reports on the risk-taking aspects of market risk.
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.	The Group manages Regulatory Compliance Risk through a dedicated Regulatory Compliance function which monitors Regulatory changes and its effects to the business, disseminate the requirements across the Bank to ensure the business is not in violation and make changes to Group's policies and procedures affected by changes in laws and regulations. The function conducts regulatory conformance tests across the Group to detect compliance gaps in enforcement of regulatory requirements and reports to the Risk Management Committees of the Management and the Board, on Compliance status for the Group.
Operational Risk	This is a risk of loss resulting from inadequate or failed internal processes, or people, or systems, or from external events. Operational risk includes reputation, legal and franchise risks associated with business practices or market conduct (e.g., suitability, appropriateness, and disclosure) that the Bank may undertake with respect to activities as principal or as an agent	For every operational risk identified, management has developed the control mechanism for mitigating it which includes appropriate segregation of duties, dual control, and reconciliation has been embedded in each business programs and operational procedures are reviewed periodically. The group also has a Self-risk assessment process and training of staff on operational risk management which is being conducted continuously.
Strategic Risk	Strategic risk concerns the consequences that occur when the environment in which decisions that is hard to implement quickly and reverse result in an unattractive or adverse impact. Strategic risk ultimately has two elements: one is doing the right thing at the right time and the other is doing it well. Strategic risk includes a risk that the Bank's strategy may be inappropriate to support sustainable future growth.	On a quarterly basis, the Department of Risk and compliance performs a Strength, Weaknesses, Opportunities and Threats (SWOT) analysis to determine factors that would affect attainment of the Group's Strategy (This includes assessment of the strategic pillars by looking at both internal and external factors) and reports the same to Management Audit & Risk Committee and the Board
Reputation risk	The risk that an activity, actions or stance taken by the Bank, or its officials will impair its image in the community, the long-term trust placed in the bank by its stakeholders, and this will result into the loss of business and /or threaten legal actions.	Our Bank reputation is a priceless asset. Damage to our Bank's reputation can have a last and dramatic effect on financial health. In that manner, management and the Board ensure all employees are working in a manner that protects the Bank's reputation.

16. STAKEHOLDER RELATIONSHIP

Effective relationship through consistent dialogue with key stakeholders is central to business sustainability, both in terms of understanding the key stakeholders needs and interest, opinions, and concerns, and in delivering the Group's commitments and respond on concerns through decisions, actions, and performance as well as on going communication with our stakeholders.

The key stakeholders legitimate needs and interest are disclosed in section 31.

Set out below are the key stakeholders with whom the Group engages on a regular basis and the means of engagement;

Stakeholder Group	Management of stakeholders relationship
Employees	- Routine and specifically scheduled functional and cross-functional meetings as required. - Formal and informal face-to-face meetings as well as video conference meetings are regularly held with and between employees throughout the Group; and - Emails are sent to employees regarding policies, procedures and/or employment related information.
Customers	- A series of branch/office visits and customer events for retail, corporate and insurance customers; - A Call Centre is there to ensure constant engagement with the customers; and - Interaction with customers via CRDB website and other social media platform including the Instagram, Facebook, and Twitter.
Suppliers	- Formalized procurement policies and procedures have been established throughout the Group; and - Competitive procurement of goods and supplies is always exercised, 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 labour organizations to ensure that ongoing constructive relationships with these stakeholders are maintained.
Shareholders/ Investors	- 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.

The above relationship if not managed properly are likely to affect the performance and value of the Bank. The survival of the Bank depends on stakeholders and our ability to meet their needs and interest. In view of this the Bank is very keen to ensure that stakeholders expectations are met.

Investment made by our shareholders in terms of shares, in return the Group provide dividends annually and the amount of dividend depends on the performance.

During the year the Bank did not raise additional capital and there were no share repurchases.

17. CAPITAL STRUCTURE AND FUNDING MIX

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

17. CAPITAL STRUCTURE AND FUNDING MIX (CONTINUED)

There were no changes on capital structure as compared to the previous financial year. Details of share capital are disclosed under Note 49 in the notes to the financial statements.

The Bank continues to remain strong in term of financial position ,well capitalized and closed the year with capital adequacy ratio of 20% for both core and total capital, above the regulatory requirement of 12.5% and 14.5% for core and total capital respective. During the year the factors which impacted the financial position of the Bank includes increased competition, Disruptive technologies, and digital adoption, raise stakeholder's expectation, and COVID 19 pandemic. However, the Bank manage to mitigate all the mentioned challenges as can be evidenced by remarkable performance of year in year growth of 62% profit after tax.

More details on the factors impacted on our ability to create value are disclosed under section 10.

The Group anticipates the same factors likely to affect future financial position except for COVID 19 pandemic, whose impact has been significantly reduced through various measured including the vaccines .However the Bank has a bold strategy in place to overcome the noted challenges.

Funding mix

The Group's primary source of funding during the year was deposits from customers (Demand deposits, Savings deposits, and Time/ fixed deposit) which commands 82% of the total funding, equity 15% and borrowings 3%. There was no major change in the funding mix in 2021 compared to the year 2020. The Current/ Savings Account (CASAs) represented 84% of total customer deposits in 2021 (2020:82%). This interprets a lower cost of funds for the Bank.

The balance between debt and equity was as follows;

				In TZS' Million
Debt	**GROUP**			
	2021	**2020**	**2021**	**2020**
Customer deposits	**6,489,614**	5,434,647	**6,153,920**	5,234,145
Borrowings - Current	**58,251**	27,085	**58,251**	29,492
Borrowings – Non-current	**139,611**	210,969	**139,611**	210,969
	6,687,476	5,672,701	**6,351,782**	5,472,199
Equity				
Issued capital	**65,296**	65,296	**65,296**	65,296
Share premium	**158,314**	158,314	**158,314**	158,314
Retained earnings	**943,500**	735,698	**919,841**	716,470
Other reserves	**52,218**	51,656	**43,475**	45,224
	1,219,328	1,010,964	**1,186,926**	985,304

The balance between equity and debt, the maturity profile of debt, type of capital instruments used, currency, regulatory capital and interest rate structure are under Treasury and capital market department and are being monitored by ALCO committee which meet monthly .

The maturity profile of the Group and Bank's financial assets and the undiscounted cash flows of its financial liabilities as of 31 December disclosed in note 10.4.4 of the financial statements.

Treasury and capital market department are also in charge of short and longer- term funding plans to support the strategies of those charged with governance to achieve the Bank's objectives. As per funding mix there short and long-term borrowing likewise for deposits there time deposit with longer term to match the maturity profile of Bank's financial assets.

The Group has adopted the above capital structure of deposits (82%), equity (15%) and borrowings (2%) because of associated cost.

18. 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.

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.

18. TREASURY OBJECTIVES AND POLICIES (CONTINUED)

The key treasury policies are:

Market Risk Policy

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

Liquidity Policy

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

Contingency Funding Policy

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

Limit Policy

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

Asset Liability Management (ALM) and Investment Policy

The policy highlights a set of actions and procedures designed to manage the Bank's financial risks 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.

Fund Transfer Pricing (FTP) Model

The model highlights the process of charging fund users and crediting fund providers to enable the Bank to evaluate profitability of deposits and loans in line with bank's own Assets and Liability management strategies.

Major financing transactions

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

19. CASH FLOWS

The Group's major source of cash flow was from operating activities, which was attributable to increase in customer deposits by TZS 1,019.9 billion (2020: increase of TZS 231.1 billion). The funds generated in 2021 was mainly utilised to increase the Group's investment in debt instruments by TZS 70.9 billion (2020: increase of TZS 63.9 billion), servicing borrowings by TZS 84.8 billion (2020: TZS 73.9 billion) and increase lending to customers by TZS 1,145.2 billion (2020: increase of TZS 694.8 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.

The Bank shall use the excess cash to issue loans and advances to customers to meet their needs for growth and some will be invested in government securities with high yield.

20. LIQUIDITY

The Group places a strong emphasis on managing liquidity risk and daily cash flows, which is handled by the Treasury Department through Asset Liability Committee (ALCO) to ensure the Group holds sufficient liquid assets to enable it to continue with its normal operations. Asset Liability Committee (ALCO) also manages the Bank's exposure to liquidity risk by ensuring that limits are in line with realistic assumptions and tracking compliance monthly.

The Group closed the year with liquidity ratio of 27.5%, which is above regulatory requirement of 20%.

The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Group also has lines of credit that it can access to meet liquidity needs. Net liquid assets consist of cash, short–term bank deposits and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month.

The Group does not foresee problems on the liquidity in the next 12 months which can affect the business operations.

There is no any restriction on the ability to transfer funds from a parent or its subsidiary to meet the obligations of another part of the group.

20. LIQUIDITY (CONTINUED)

Liquidity management process

The Group's liquidity management process, is being carried out within the Group and Bank and monitored by the Asset and Liability Committee (ALCO) of the individual banks which 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.

Funding approach

The Group's major source of funding is customer deposits. The Group maintain a diversified and stable funding base comprising 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.

Other Group's source of funding is borrowings which are long term, and the Group has entered covenants in some borrowings in financing contracts, however none of the borrowing have the effect of restricting the use of financing arrangements or credit facilities, and negotiations with the lenders on the operation of these covenants.

The Group and Bank has not had any defaults of principal, interest, or other breaches regarding borrowings during 2021 or 2020.

During the year the Bank has not entered any covenant in financing contracts which could have the effect of restricting the use of financing arrangements or credit facilities.

Assets available to meet all the liabilities and to cover outstanding loan commitments include cash, balances with central Bank, items in the course of collection and treasury and other eligible bills; Due from 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.

21. 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 including DEG/KfW, IFC, AfDB, EIB, DANIDA and TMRC to support of key sectors of the economy.

As at 31 December 2021, the Group had an outstanding exposure of TZS 197.9 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 2021, the Group and Bank were compliant with all the lender's covenants.

22. 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 less than 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	2021		2020	
	No. of shares	%	No. of shares	%
10% and more	**894,828,676**	**34.3**	894,828,676	34.3
Less than 10%	**642,280,316**	**24.6**	693,385,077	26.5
Less than 1%	**1,074,729,592**	**41.1**	1,023,624,831	39.2
Total	**2,611,838,584**	**100.0**	2,611,838,584	100.0

22. SHAREHOLDERS OF THE BANK (CONTINUED)

Companies Shareholding

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

Shareholders	2021		2020	
	No. of shares	%	No. of shares	%
DANIDA Investment Fund	**548,067,648**	**21.0**	548,067,648	21.0
PSSSF Pension Fund	**346,761,028**	**13.3**	346,761,028	13.3
National Social Security Fund - Uganda	**196,456,402**	**7.5**	196,456,402	7.5
Kimberlite Frontier Master Africa Fund LP RCKM	**113,050,049**	**4.3**	113,050,049	4.3
Aunali F. Rajabali and Sajjad F. Rajabali	-	-	66,921,350	2.6
Patrick Schegg	**50,754,057**	**1.9**	50,754,057	1.9
Change Global Frontier Market, PL Fund-CGPA	**48,066,540**	**1.8**	48,066,540	1.8
Abbas Export Ltd.	**45,000,000**	**1.7**	37,000,000	1.4
Duet Africa Opportunities Master Fund IC	**37,583,840**	**1.4**	37,583,840	1.4
Hans Aingaya Macha	**32,764,200**	**1.3**	32,764,200	1.3
National Health Insurance Fund	**32,040,040**	**1.2**	32,040,040	1.2
Western Zone Tobacco Cooperative Union (WETCU)	-	-	24,000,000	0.9
CMG Investment Limite	**29,330,971**	**1.1**	29,330,971	1.1
Balvinder Singh Virdi (Mehar Singh Virdi)	**29,263,958**	**1.1**	25,417,628	1.0
Wegen Kilimanjaro Frontier Africa Fund	**27,970,259**	**1.1**	-	-
Total	**1,537,108,992**	**58.9**	1,588,213,753	60.8

The total number of shareholders by end of 2021 stood at **30,632** (2020: 30,143 shareholders).

Directors Shareholding

Share holdings by those charged with governance as at 31 December are listed here under;

Name	Status	Number of share 2021	Number of share 2020
Dr. Ally H. Laay	Chairman	**28,812**	28,812
Abdulmajid M. Nsekela	Managing Director	**134,600**	134,600
Prof. Neema M. Mori	Independent Non-Executive Director	**118,084**	118,084
Rose F. Metta	Non-Executive Director	**26,796**	26,796
Jes Klausby	Non-Executive Director	-	-
Boniface C. Muhegi	Non-Executive Director	**2,241,352**	2,241,352
Hosea E. Kashimba	Non-Executive Director	**64,875**	64,875
Prof. Faustine K. Bee	Non-Executive Director	**41,536**	41,536
Dr. Fred M. Msemwa	Non-Executive Director	**12,612**	12,612
Abdul A. Mohamed	Non-Executive Director	**2,450**	2,450
Martin S. Warioba	Independent Non-Executive Director	-	-
Miranda N. Mpogolo	Independent Non-Executive Director	**43,392**	-
Gerald P. Kasaato	Non-Executive Director	-	-
Royal J. Lyanga	Non- Executive Director	-	-

23. CORPORATE GOVERNANCE

The Group is committed to healthy corporate governance practices, which strengthens and maintains confidence in the Bank, thereby contributing to optimal long-term value creation for shareholders and other stakeholders. The board recognizes its collective responsibility for the long-term success of the Group.

It is the board's commitment to ensure it complies with all applicable laws and regulations and considers adherence with non-binding rules, codes, and standards; and that compliance is an agenda in all its meeting through board risk committee. The board has tasked management to identify and present to the board all regulations especially new regulations relevant to the Group, for easy monitoring of the changes and impacts to the Group business operations.

Roles of the board

The board is the ultimate decision making body and its key role is to provide strategic leadership and guidance to the Bank and its controlled subsidiaries (the Group) and effective oversight of risk management. The board is accountable to the shareholders for the performance of the Bank (Group's) businesses.

The specific roles and responsibilities of the board include but not limited to the following:

- Determine the Bank's vision, mission and values that promote sustainability of the Bank.
- Appointing the CEO to whom the responsibility of managing the Bank is being delegated and review and evaluate the performance of the Group's CEO regularly including reviewing and defining succession planning of the CEO and senior management.
- Approving corporate strategy and monitoring the implementation of strategic plans. The board have meaningful input into the Group's long-term strategy from development through execution. The board approve the Group's strategic plans and regularly evaluate implementation of the plans that are designed to create long-term value. The board is required to understand the risks inherent in the Group's strategic plans and how those risks are being managed.
- Establishing adequate policies and procedures that ensure the integrity and effective internal controls and adequate risk management practices across the Group.
- Setting the Group's risk appetite, reviewing and understanding the major risks, and overseeing the risk management processes and internal control systems. The board oversees the process for identifying and managing the significant risks facing the Group and establish a structure for overseeing risk, delegating responsibility to committees and overseeing the designation of the Director of risk and compliance responsible for risk management.
- ·Reviewing the Group's plans for business resiliency. As part of its risk oversight function, the board periodically reviews management's plans to address business resiliency, including such items as business continuity, physical security, cybersecurity and crisis management.
- Ensure the Bank is adequately always capitalized.
- Approving the annual audited financial statements before presenting the same to shareholders.
- Approving significant capital expenditures and changes in capital structure of the Bank, acquisitions and dispositions and new subsidiaries investments.

During the year the board performed their roles and responsibilities as evidenced by a remarkable performance of the Bank and subsidiaries(Group).All members of the board were collectively responsible and complied with the code of corporate governance.

Board Meetings

The board has in place an annual work plan that sets out the board activities in a year. The board meets at least eight times a year, and, when necessary, to consider all matters relating to the overall risk management, Group performance, implementation of the strategy and succession planning. The Group Chairman together with the company secretary and chief executive officer prepare the annual work plan and agenda for each meeting. The notice, agenda and detailed board papers are circulated seven days in advance of the meetings. Those charged with governance are allowed to request additional information to support their decision making when necessary.

During the year the board met eight (8) times as planned and during the eight meetings had several discussions regarding the operations of the Bank together with its controlled subsidiaries. Below are some of the matters discussed during the meetings;

- The board had a discussion on the quarterly performance of all KPIs of the Group as presented by the management and directed management accordingly on expected performance of the bank, its subsidiaries and investment made by the bank.
- The board discussed and approved the Group's budget and strategy for year 2022 as presented by the management by adding inputs and enlightening management on its expectations on the implementation of the strategy and budget.
- During the meetings, the board also discussed the reports received from all board committees and deliberated accordingly.

The board annually elect a chair who is non-executive director. The elected chair is not supposed be a member of any Committee. The chair may be invited to attend any of the committees meetings when deemed fit excluding Audit Committee.

Board Charter

The Group has a board charter which sets out the key values and principles of the board of directors of the Bank. It provides the specific responsibilities of the board and how it shall operate within applicable legal and regulatory framework; and clearly specifies the powers of the board and its Committees, separation of roles between the board and Management; and the practice of the board in respect of corporate governance matters.

This board charter is subject to the requirements contained in the Bank's Memorandum and Articles Association (MEMARTS), the Banking and Financial Institutions Act, 2006 (BFIA), CMSA Act & Guidelines, Company Laws and other applicable laws and regulatory provisions.

23. CORPORATE GOVERNANCE (CONTINUED)

Board Charter (Continued)

The charter is being reviewed after every two years or on need basis to ensure it remains adequate and consistent with the board's purpose. Changes are subject to approval by the board of Directors.

Those charged with governance

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

The roles of the Chairman, a non-executive role, and the Managing Director are separate. The Chairman is responsible for the leadership and management of the board and for ensuring that the board and its committee's 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.

Conflict of interest and Related party transactions

The board has established a policy and a set of procedures relating to Directors' conflicts of interest and related party transactions. In all board meetings, there's an agenda of declaration of conflict of interest, and there is a conflict of interest register which is being reviewed regularly.

Those charged with governance are expected to avoid any action, position or interest that conflicts with the interest of the Bank or gives the appearance of a potential conflict. In this regards, all directors are required to:

- Declare any interests that may give rise to potential or perceived conflict e.g., multiple directorships, business relationships or other circumstances that could interfere with exercise of objective judgment;
- ·Declare as soon as they become aware that a subject to be discussed at a board or committee meeting may give rise to a conflict of interest at the outset of the applicable meeting. The conflicted director is not allowed to participate further in the discussion of that subject, nor vote on it.
- Director(s) with a continuing material conflict of interest is required to consider resigning from board.

Board members are required to inform the Company Secretary of any changes with respect to directorships and conflict of interest within 30 days. The board is required to evaluate all potential or perceived conflict of interest as declared and approve such transactions with the bank as may be appropriate. A register of declared Conflicts of Interest is being maintained by the Company Secretary.

During the year, none of the Directors had a material interest, directly or indirectly, in any contract of significance with the Group.

Separation of roles and responsibilities

While the Chairman and Chief Executive Officer are collectively responsible for the leadership of the Group and for promoting the highest standards of integrity and probity, there is a clear and effective division of accountability and responsibility between the Chairman and the Chief Executive, and each plays a distinctive role but complementing each other to ensure that there is a balance of power and authority, and no individual has unfettered powers of decision and control.

Key roles and responsibilities of Chairman of the board;

- Provides leadership and governance of the board to create the conditions for overall board's and individual Director's effectiveness and ensures that all key and appropriate issues are discussed by the board in a timely manner.
- ·Promotes effective relationships and open communication and creates an environment that allows constructive debates and challenges, both inside and outside the boardroom, between Non-executive Directors and the management.
- Ensures that the board plays a full and constructive part in the development and determination of the Group's strategies and policies, and that board decisions taken are in the Group's best interests and fairly reflect Board's consensus.
- Ensures that the strategies and policies agreed by the board are effectively implemented by the Chief Executive and the management.
- Establishes good corporate governance practices and procedures and promotes the highest standards of integrity, probity, and corporate governance throughout the Group and particularly at board level. It is the responsibility of chairman to adhere to the code of corporate governance/ board charter.

Key roles and responsibilities of Chief Executive Officer

- Leads the management in the day-to-day running of the Group's business in accordance with the business plans and within the budgets approved by the board
- Leads the management to ensure effective working relationships with the Chairman and the board by meeting or communicating with the Chairman on a regular basis to review key developments, issues, opportunities, and concerns.
- Develops and proposes the Group's strategies and policies for the board's consideration.
- Implements, with the support of the management, the strategies and policies as approved by the board and its committees in pursuit of the Group's objectives.
- Conducts the affairs of the Group in accordance with the practices and procedures adopted by the board and promotes the highest standards of integrity, probity, and corporate governance within the Group.

23. CORPORATE GOVERNANCE (CONTINUED)

Board independence

Director independence is critical to effective corporate governance and providing objective independent judgment that represents the interests of all shareholders is at the core of the board's oversight function. Accordingly, a substantial majority of the board's directors should be independent, according to applicable rules and regulations and as determined by the board.
An independent director should not have any relationships that may impair, or appear to impair, the director's ability to exercise independent judgment.

Assessing independence .

When evaluating a director's independence, the board consider all relevant facts and circumstances, focusing on whether the director has any relationships, either direct or indirect, with the company, senior management or other directors that could affect actual or perceived independence. This includes relationships with other companies that have significant business relationships with the company or with not-for-profit organizations that receive substantial support from the company.
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 2021, the board has not received any complaints regarding their standing from NBAA being the professional body.

Restrictions on insider trading

It is the Group policy that directors and employees considered to have privileged knowledge, from time to time, of material facts or changes in the affairs of the Group, which have not been disclosed to the public, including any information likely to affect the market price of the Bank's securities, cannot buy or sell ("trade") Group securities, except in accordance to the requirements of the Group policy.

CRDB Insiders are prohibited from trading Group securities either on their own behalf or on behalf of someone else when the trading window is closed. Insiders are required to keep any unpublished and non-public sensitive information received by them whether in the ordinary course of their employment or office or otherwise, confidential and with sufficient protection from unauthorized disclosure or access.

Appointments of the members of the board

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

The board consist of both Non-Executive Directors (NED) and Independent Non-Executive Directors (INEDs). The board recommend Directors for election and/or appointment by the shareholders at the Annual General Meetings (AGMs). The number of board members is determined by the Bank's Articles of association and regulatory requirements.

A board member elected/appointed by shareholders is not allowed to attend board meetings or be assigned any responsibility until he/she obtains approval of the Bank of Tanzania.

All directors are required to disclose outside directorships business and conflict of interest on annual basis and inform the Company Secretary of any changes to such directorships and conflict of interest within 30 days.

Training and development of the members of the board

Each new board member is required to participate in an induction program that is tailored to effectively orient the member to the Bank's business and organization structure including subsidiaries, roles/responsibilities of the board and its various committees, strategy, objectives, policies, procedures, operations, senior management, and the business environment. The induction package also includes all the necessary information that is required by a member for effective performance in the board (including all policies, charters, recent financial reports and governing laws and regulations). They receive comprehensive guidance from the Company Secretary on the Group's corporate governance framework.

The board members are also being introduced to their fiduciary duties and responsibilities as well as any other aspects that are unique to the business.

The main purpose of the training is to ensure board members have a clear understanding of their role in corporate governance and be able to exercise sound and objective judgment about the affairs of the Bank.

The board are required to ensure adequate training and development of the members through continuous training to keep them well informed on critical information pertinent to the business and corporate governance environment. It is the responsibility of the board to conduct an annual review to identify training needs for each member on a regular basis and facilitate up skilling as well as continuous development of each members.

Non-executive directors also develop and refresh their skills and knowledge through periodic interactions and briefings with senior management of the Group's businesses functions, changes in laws and regulations, policies, and practices.

All Non-executive directors have access to independent professional advice/ external specialists to enable them to discharge their duties when the expertise needed is not possessed by existing directors or staff within the Group.

23. CORPORATE GOVERNANCE (CONTINUED)

Training and development of the members of the board (Continued)

During the year, The board completed the planned training and development sessions as per table below;

S/N	Training Type	When
1	Corporate Governance and Best Board Practices	December 2020 to January 2021
2	Orientation and Induction for New Board members	June, September, and November 2021
3	Accelerated Certificate in Company Direction	February 2021
4	Board Study Tour/Exposure Visit	13th to 17th September 2021
5	Effective Board Member	November 2021
6	Corporate Governance and Best Board Practices	December 2021
7	Board Study Tour/Exposure Visit	13th to 17th September 2021

Succession planning

The committee, together with the board, are actively conduct succession planning for the board of directors. The committee proactively identifies director candidates by canvassing a variety of sources for potential candidates and retaining search firms. Shareholders invested in the long-term success of the Group should have a meaningful opportunity to nominate directors and to recommend director candidates for nomination by the committee. However, the final responsibility for selecting director nominees rest with the Governance and Human Resources Committee and the board. One of the responsibility of the board is to review and define the succession planning of the board Chair, board vice Chair and Committee chairs.

Board relationships/ engagement with shareholders/ Stakeholders

Regular shareholder outreach and ongoing dialogue are critical to developing and maintaining effective investor relations, understanding the views of shareholders, and helping shareholders understand the plans and views of the board and management.

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 board recognize, respect, and protect the rights of shareholders and ensure equitable treatment of all shareholders in the same class of issued shares whether minority, institutional or foreign. It also provides shareholders with information as required under the applicable law and has established mechanisms to ensure effective communication with shareholders including the media if found appropriate.

The board have a stakeholder-inclusive approach and is responsible for giving due consideration to the legitimate interests and expectations of the bank's stakeholders in its deliberations, decisions, and actions. Shareholders are not a uniform group, and their interests may be diverse. Although board considers the views of shareholders, the duty of the board is to act in what it believes to be the long-term best interests of the bank and all its shareholders. The views of certain shareholders are one important factor that the board evaluates in making decisions, however the board is required to exercise its own independent judgment. Once the board reaches a decision, the Group consider how best to communicate the board's decision to shareholders. The Group engage with long-term shareholders in a manner consistent with the respective roles of the board and maintain effective protocols for shareholder communications with directors and for directors to respond in a timely manner to issues and concerns that are of widespread interest to long-term shareholders.

Group Communication/ Public Relations Policy

The policy aims at ensuring that the information originating from the Bank is accurate, complete, reflects the official position of the Bank and is released to the media and targeted public in a consistent and in a timely manner. The ultimate objective is to build mutually beneficial relationship between the Bank and the public. The board has established effective communication with the Bank's stakeholders including the media and other channels found appropriate.

Key stakeholder communication includes the Group's Annual Report, published quarterly financial reports, Investors presentation and other publications. The Group website www.crdbbank.co.tz whereby stakeholders can be able to view all publications including general information about the bank and its subsidiaries.

Board committees

An effective committee structure permits the board to address key areas in more depth than may be possible at the full board level. Decisions about committee membership and chairs should be made by the full board based on recommendations from the nominating/corporate governance committee.

The responsibilities of each committee and the qualifications required for committee membership is clearly defined in a written charter that is approved by the board. Each committee is required to review its charter annually and recommend changes to the board. All committees are required to update the full board of their activities on a regular basis. The report to include findings, matters identified for specific recommendation to the Board, action points and any other issues as deemed appropriate.

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 2021, 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. Committee members are be elected annually from among the board members.

23. CORPORATE GOVERNANCE (CONTINUED)

Board committees (Continued)

The board remains collectively responsible for the decisions of any committee and are required to review the effectiveness and performance of committees annually

These sub-committees are;
- Audit Committee
- Governance and Human Resources Committee
- Credit Committee and;
- Risk Committee

All these board Committees are constituted and chaired by non-executive directors.

The table below shows the number of board and Committee meetings held during the year and the attendance by those charged with governance:

	Name of Director	Board	Audit Committee	Credit Committee	Governance and Human Resource Committee	Risk Committee
1	Dr. Ally H. Laay	8/8	-	-	-	-
2	Boniface C. Muhegi	5/8	-	9/13	7/8	-
3	Rose F. Metta	4/8	-	5/13	-	1/4
4	Hosea E. Kashimba	7/8	9/9	-	-	-
5	Ellen G. Rwijage*	5/8	-	7/13	4/8	-
6	Prof. Neema M. Mori	8/8	-	12/13	7/8	1/4
7	Jes Klausby	8/8	-	-	8/8	4/4
8	Prof. Faustine K. Bee	6/8	7/9	4/13	2/8	-
9	Dr. Fred M. Msemwa	8/8	-	13/13		4/4
10	Abdul A. Mohamed	8/8	7/9	-	1/8	-
11	Martin S. Warioba	8/8	2/9	-	6/8	3/4
12	Miranda N. Mpogolo	7/8	-	-	7/8	3/4
13	Gerald P. Kasaato**	3/8	2/9	-	-	-
14	Royal J. Lyanga***	1/8	-	-	-	-

*Ellen G. Rwijage resigned in August 2021, hence fewer meetings attended
**Gerald Kasaato was appointed to the board in May 2021 hence fewer meetings attended.
***Royal Lyanga was appointed to the board in August 2021 hence fewer meetings attended.

During the year the Group has complied with the principles and codes of best practice.

There was no regulatory requirement that influence the design of the governance above.

Audit Committee

The committee oversees the Group's internal audit function and ensures that the internal audit staff has adequate resources and support to carry out its role. The committee reviews the scope of the internal/ external audit plan, significant findings by the internal/ external audit and management's response, and the appointment and replacement of the senior internal auditing executive and assesses the performance and effectiveness of the internal audit function annually.
The Audit Committee is also 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 planned and met nine (9) times during the year.

The committee comprised of the following members:

	Name	Nationality	Qualification
1	Hosea E. Kashimba	Tanzanian	MBA Corporate Management
2	Prof. Faustine K. Bee	Tanzanian	PhD in Development Studies
3	Abdul A. Mohamed	Tanzanian	BSc in Accounting & Finance
4	Martin S. Warioba	Tanzanian	MSc in Information Management
5	Gerald Kasaato	Ugandan	MBA(Finance)and MSc. International Finance & Investment

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2021

23. CORPORATE GOVERNANCE (CONTINUED)

***Audit Committee* (Continued)**

To ensure full separation of membership, members serving in the Audit Committee are not allowed be elected to serve in any other Committee. The committee like other committees, has a charter that describes its oversight function. All members served in this committee during the year are non-executives and independent with no financial interest in the entity or significant relationships with major shareholders, management, suppliers, or customers.

Two members in the committee are accountants holding professional certifications from various bodies. Mr. Hosea E. Kashimba who is the chair of the board audit committee holds Certified Public Accountant (CPA) from National Board of Accountants and Auditors (NBAA) and Abdul A. Mohamed, he is CFA Associate member and ACCA affiliated member from UK.

In the 9 meetings conducted during the year, the committee apart from other things, discussed the following;

- The quarterly financial reports for publication which was presented by the management and requested the board audit committee to deliberate and approve the reports which was audited by the internal auditors to be published as required by the regulations 7 and 8 of the banking and Financial Institutions (Disclosures) Regulations, 2014. The board audit committee discussed the reports and approved for publication for respective quarters.
- Quarterly internal audit reports done in various departments including payments, procurement, marketing and branch operations on selected branches which was presented by the Department of Internal audit. The report was discussed by the members of the board and directed management to increase the coverage of the areas to be audited to reduce risks of fraud, over/understatement of the numbers. Emphasis was pressed on the internal controls, to make sure that strong internal controls are in place and are being reviewed regularly.
- External Auditors Audit report and Audited financial statement for the year ended 31 December 2021 presented by the External Auditors (EY) and directed the External auditors and the management accordingly for future improvements.
- On the performance of the internal audit department, whether the department has enough and competent staff to properly perform audit tasks.

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.

The committee establish, and recommend to the board for approval, criteria for board membership and periodically review and recommend changes to the criteria. The committee review annually the composition of the board, including an assessment of the mix of the directors' skills and experience; an evaluation of whether the board as necessary tools to effectively perform its oversight function and an identification of qualifications and attributes that may be valuable in the future based on, among other things, the current directors' skill sets, the company's strategic plans and anticipated director exits.

This committee planned and met eight (8) times during the year.

The committee comprised of the following members:

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

In the 8 meetings conducted during the year, the committee apart from discussions on staff issues, discussed all matters pertaining the board and management including diversity to the board and management as a whole and the strategies in place to empower and encourage women to take positions. Also, during the meeting, the committee discussed on staff productivity – directed management to ensure staff productivity increase to increase revenues and consequently will increase profits of the Group.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2021

23. 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 planned and met thirteen (13) times during the year.

The committee comprised of the following members:

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

During the year, the committee has a numbers of discussions, however the main was on the loan portfolio quality to ensure the Group comply with internal limit set on NPL ratio and regulatory requirement of not more than 5%.

The committee also approved several loans and advances to customers which needed board approval and recommended the same to the main board for approvals. Apart from other things, the board directed management to ensure the bank always comply with single borrower limit.

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 planned and met four (4) times during the year.

The committee comprised of the following members:

	Name	Nationality	Qualification
1	Jes Klausby	Danish	MSc Mathematics – Economics
2	Rose F. Metta*	Tanzanian	MBA in Finance
3	Martin S. Warioba	Tanzanian	MSc in Information Management
4	Dr. Fred M. Msemwa	Tanzanian	PhD in Business Administration: Public Sector Audit
5	Prof. Faustine K. Bee	Tanzanian	PhD in Development Studies
6	Miranda N. Mpogolo	Tanzanian	MA Theatre Arts and Development Studies
7	Prof. Neema M. Mori	Tanzanian	PhD in International Business
8	Abdul A. Mohamed	Tanzanian	BSc in Accounting and Finance

* Rose Metta resigned in May 2021

The board risk committee met four (4) times during the year, and in the four meetings apart from other issues of the Group, the main discussion cantered on the risk assessment and management and compliance issues to avoid unnecessary penalties which can be resulted from non-compliance on the internal controls and regulators.

The main responsibility of the board risk committee is Group risk oversight and is required to provide the full board regularly with the information it needs to understand all the Group's major risks, their relationship to the Group's strategy and how these risks are being addressed. The same was discussed in each of the four meetings together with Group's compliance issues including the Group's code of conduct, reporting compliance and compliance of all internal ratio set by the board.

The Group has been tasked by the board risk committee to conduct risk assessment every year and present to board, maintain a risk register of each department and consolidated risk register for the Group and the register is being reviewed by the board regularly. During the year, the Group conducted the risk assessment, risk register updated and presented to the board risk committee and thereafter to the main board and deliberated accordingly.

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.

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23. CORPORATE GOVERNANCE (CONTINUED)

Board and committees evaluation

The board have effective mechanism for evaluating its performance on a continuing basis. The evaluation is based on the assessment of the effectiveness of the full board, the operations of board committees, contributions of individual directors on an annual basis. The results of these evaluations are being reported to the full board, and thereafter a follow-up on issues and concerns that emerge from the evaluations.

The board periodically consider a combination of methods to result in a meaningful assessment of the board and its committees. Common methods include the use of written questionnaires. After evaluation, the Board discuss the results of the evaluation exercise which inform the board on the training needs for its members.

After every three years, board evaluation and assessment are being done by an external party/consultant to ensure the Bank and the board continues operate consistently within good governance and best practice principles.

During the year, evaluation of the board, its committees and the individual directors was performed internally using questionnaires, results discussed, and training needs of the members was identified which will be implemented in year 2022.

Code of conduct and Ethical behaviour

The board has adopted a code of conduct for all directors and employees including chief executive officer that addresses, among other things, conflict of interest which is being reviewed and updated regularly. The code of conduct is shared annually to all employees and directors and are required to confirm in writings that they have complied with the code of conduct.

Board members are expected to observe the highest standard of ethical behaviour which supports and encourages policies that require Directors and all employees to observe high standard of integrity and display honesty in their dealings. The board has adopted a code of conduct for all directors and employees that addresses, among other things, conflict of interest which is being reviewed and updated regularly.

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. It is the utmost responsibility of all staff within the Bank to comply with the Group's Code of Conduct.

Whistle blowing policy

The Group has strong whistle blowing policies and procedures with the main objective to promote a framework within the Bank where staff are encouraged and feel confident to reveal and report any fraudulent, immoral, unethical, or malicious activity or conduct of fellow employees, management, those charged with governance, clients, consultants, vendors, contractors, and/or any other parties with business relationship with the Bank which in their opinion may cause financial or reputational loss to the Bank.

The policy is essential for maintaining a positive compliance culture in which employees adhere to all internal bank policies and respect all applicable laws and regulations in the country. The Bank is committed to maintaining the highest possible standards of ethical and legal conduct within all its projects, programs, and businesses. In line with this commitment and to enhance good governance and transparency, this policy provides an avenue for raising concerns related to fraud, corruption, or any other misconduct and to assure that persons who disclose information relating to these misconducts will be protected from any retaliation.

The policy sets out the mechanism for employees and/or non-employees to report any concerns or suspicions regarding possible violations of laws, rules or regulations or possible violations or suspected wrongdoing of internal Bank policies, standards, or procedures. The whistle blower and Witness Protection Act of 2015 makes it illegal for employers to retaliate against whistle blowers.

Staff are periodically trained on as part of induction and ongoing development which encourage staff and other stakeholders to bring out information helpful in enforcing good corporate governance practices. The whistle blower section also found in the website of the bank where customers and other stakeholder are advised to whistle blow on the misconducts through the following channels; internal or external - Independent third party from the Bank. The whistle -blowers has options of whether to reveal the identity or remain anonymous.

Group culture, ethics, and organisational values

The Group's code of conduct embodies its culture and 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.

The Group have in place mechanisms for employees to seek guidance and to alert management and the board about potential or actual misconduct without fear of retribution. As part of fostering a culture of compliance, the Group encourage employees to report compliance issues promptly and emphasize their policy of prohibiting retaliation against employees who report compliance issues in good faith.

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 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.

23. CORPORATE GOVERNANCE (CONTINUED)

Risk management and Internal control (continued)

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 can produce reliable annual reports and that the external auditor's recommendations are given thorough consideration. During the year, internal control systems were assessed by the board and was found to be at an acceptable level.

IT governance

IT governance is part of the overall corporate governance of the Group which aimed at improving the overall management and implementation of IT structure to derive value from investment in information technology. The Group has established IT charter and policies to govern the structure and operations of ICT and its implementation is being reviewed annually .The charter enables the Group to manage IT risks effectively and ensure that the activities associated with information and technology are aligned with the overall Group business objectives.

Financial reporting and auditing

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

Those charged with governance 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.

Composition of those charged with governance

As of 31 December 2021, those charged with governance "the board" comprised twelve Directors - Eleven Non- executive Directors and the Managing Director who is an Ex-officio member.

Name	Gender	Position	Age	Nationality	Date of Appointment/ Resignation
Dr. Ally H. Laay	M	Chairman	65	Tanzanian	Re-appointed May 2019
Abdulmajid M. Nsekela	M	Managing Director, Ex Officio	50	Tanzanian	Appointed October 2018
Prof. Neema M. Mori	F	Independent Non-executive Director	43	Tanzanian	Re-appointed June 2020
Martin S. Warioba	M	Independent Non-executive Director	44	Tanzanian	Appointed December 2019
Ellen G. Rwijage	F	Independent Non-executive Director	38	Tanzanian	Appointed August 2020 and resigned August 2021
Rose F. Metta	F	Non-executive Director	52	Tanzanian	Resigned May, 2021
Jes Klausby	M	Non-executive Director	66	Danish	Re-appointed July 2020
Boniface C. Muhegi	M	Non-executive Director	67	Tanzanian	Re-appointed May 2019
Hosea E. Kashimba	M	Non-executive Director	51	Tanzanian	Re-appointed August 2020
Prof. Faustine K. Bee	M	Non-executive Director	62	Tanzanian	Re-Appointed May 2021
Dr. Fred M. Msemwa	M	Non-executive Director	49	Tanzanian	Appointed June 2019
Abdul A. Mohamed	M	Non-executive Director	31	Tanzanian	Appointed July 2019
Ms. Miranda N. Mpogolo	F	Independent Non-Executive Director	38	Tanzanian	Appointed June, 2020
Mr. Gerald P. Kasaato*	M	Non-Executive Director	42	Ugandan	Appointed May, 2021
Mr. Royal J. Lyanga**	M	Non-Executive Director	51	Tanzanian	Appointed August, 2021

The table below shows the directors who served during the year:

The Company Secretary during the year ended 31 December 2021 was Mr. John-Baptist Rugambo (Tanzanian), 54 years old.

*At the Annual General Meeting (AGM) held on 22 May 2021, Mr. Gerald P. Kasaato was elected as a Non-Executive Director and was subsequently approved by the Bank of Tanzania.

** Mr Royal J. Lyanga was appointed in August 2021 to replace Ms Ellen G. Rwijage and was subsequently approved by the Bank of Tanzania.

M - Male F – Female

23. CORPORATE GOVERNANCE (CONTINUED)

Company secretary

The Company secretary is being appointed by the board to assist and advice the board and all board Members. The Company Secretary is the Secretary of the board and is charged with the following responsibilities:

The company secretary plays a leading role in good governance by helping the board and its committee's 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 is the secretary of the board

The specific roles and responsibilities of the Company secretary include but not limited to the following;

- Assists the Chairman with all development processes including board evaluation, induction, and training
- Assist the Chairperson of the board in organizing the boards activities;
- Maintain and update the register of conflict of interest;
- Facilitate board and Shareholders meetings;
- Custodian of all Board's official records including board packs, minutes, and bank's MEMARTS;
- Facilitate effective communication between the bank and shareholders;

Both the appointment and removal of the Company Secretary is a matter for the board as a whole.

Remuneration policy

The Group has in place remuneration policy to determine the remuneration of directors, which considers the demands, complexities, and performance of the Group. 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. The remuneration policy is in line with the Group strategy and linked to individual performance. The policy is being reviewed annually.

Directors' Remuneration

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

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

		In TZS Million
Name	**2021**	**2020**
Dr. Ally H. Laay	**89**	76
Boniface C. Muhegi	**84**	78
Rose F. Metta	**40**	71
Hosea E. Kashimba	**82**	65
Prof. Neema M. Mori	**87**	81
Edwin P. Mhede	**-**	12
Ellen G. Rwijage	**60**	27
Jes Klausby	**80**	71
Prof. Faustine K. Bee	**78**	58
Abdul A. Mohamed	**76**	58
Dr. Fred M. Msemwa	**80**	71
Martin S. Warioba	**76**	65
Miranda N. Mpogolo	**76**	-
Gerald P. Kasaato	**38**	-
Royal J. Lyanga	**10**	.
Abdulmajid M. Nsekela**	**-**	-
TOTAL	**956**	**733**

**Mr. Abdulmajid Nsekela (Managing Director) is ex-officio member who is paid monthly salary by the Bank, this is part of key management remuneration.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2021

23. CORPORATE GOVERNANCE (CONTINUED)

CEO & Management

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

The Bank is organized in the following functions/ departments:-

- 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.

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
Bruce Mwile	Chief Operations Officer
Frederick Nshekanabo	Chief Financial Officer
Alex Ngusaru	Director of Treasury and Capital Markets
Pendason Philemon	Director of Procurement
Godfrey Sigalla	Director of Internal Audit
Boma 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
Xavery Makwi	Director of Credit
Deusdedit Massuka	Director of Information, Communication and Technology
Prosper Nambaya	Director of Corporate Banking
Leo Ndimbo	Director of Business Transformation
Fredrick Siwale	Managing Director – CRDB Bank Burundi (subsidiary)
Wilson Mnzava	General Manager – CRDB Insurance Company Ltd (subsidiary)

The CEO and Management, under the CEO's direction, are responsible for the development of the Group's long-term strategic plans and the effective execution of the Group's business in accordance with those strategic plans. As part of this responsibility, management is charged with the following duties.

- *Business operations;* The CEO and management run the Group's business under the board's oversight, with a view toward building long-term value.
- *Strategic planning;* The CEO and senior management generally take the lead in articulating a vision for the Group's future and in developing strategic plans designed to create long-term value for the Group, with meaningful input from the board. Management implements the plans following board approval, regularly reviews progress against strategic plans with the board, and recommends and carries out changes to the plans as necessary.
- *Identifying, evaluating, and managing risks*; Management identifies, evaluates, and manages the risks that the Group undertakes in implementing its strategic plans and conducting its business. Management also evaluates whether these risks, and related risk management efforts, are consistent with the Group's risk appetite. Senior management keeps the board and relevant committees informed about the Group's significant risks and its risk management processes.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2021

23. CORPORATE GOVERNANCE (CONTINUED)

CEO & Management (Continued)

- *Accurate and transparent financial reporting and disclosures;* Management is responsible for the integrity of the Group's financial reporting system and the accurate and timely preparation of the Group's financial statements and related disclosures. It is management's responsibility under the direction of the CEO and Group's Chief Financial Officer to establish, maintain and periodically evaluate the Group's internal controls over financial reporting and Group's disclosure controls and procedures, including the ability of such controls and procedures to detect and deter fraudulent activity.
- *Annual operating plans and budgets;* Senior management develops annual operating plans and budgets for the Group and presents them to the board. The management team implements and monitors the operating plans and budgets, adjusting considering changing conditions, assumptions, and expectations, and keeps the board apprised of significant developments and changes.
- *Business resiliency;* Management develops, implements, and periodically reviews plans for business resiliency that provide the most critical protection considering the Group's operations. It is the responsibility of Management to identify the Group's major business and operational risks, including those relating to natural disasters, leadership gaps, physical security, cybersecurity, regulatory changes, and other matters. Management develops and implements crisis preparedness and response plans and works with the board to identify situations (such as a crisis involving senior management) in which the board may need to assume a more active response role.

Compensation of Key Management Personnel

On annual basis, the board reviews and approves compensation of key management personnel. The remuneration of key management personnel during the year was TZS 10,515 million (2020: TZS 10,828 million).

Group 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 55 to the financial statements.

24. 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.

25. STAKEHOLDERS NEEDS AND INTERESTS

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

Below table shows key stakeholders with respective needs and expectations;

Stakeholders	Stakeholders needs and expectations
Employees	- Career development and advancement opportunities - Challenging work, with opportunities to make a difference - Employment at a company with a strong brand. - An empowering and enabling environment that embraces diversity and inclusivity. - Fair remuneration, effective performance management, and recognition - A safe and healthy work environment
Customers	- Innovative financial solutions and services - Convenient access to banking services through digital channels. - Excellence in client service. - Value-for-money banking that is competitive and transparent in pricing.
Suppliers	- Fair bidding and timely payments
Shareholders/ investors	- Shareholder value creation through share price appreciation and an attractive and sustainable dividend stream - Continuous engagement to inform their investment decisions.
Regulators and policy makers	- Compliance with all legal and regulatory requirements - Being a responsible taxpayer in all jurisdictions where we conduct business. - Active participation and contribution to industry and regulatory working groups.
Society	- CRDB providing access to relevant financial solutions that help to achieve desired outcomes for individuals, their families, their businesses, and their communities. - CRDB influencing its stakeholders to act responsibly in environmental, social and governance matters - CRDB partnering with the community to address common social and environmental issues to build a thriving society.

26. ENVINRONMENT FOOTPRINT

Considering the crucial impact of environmental conservation, the bank has developed a specific environmental and social policy. The policy articulates the commitments of the Bank to sustainable development, elaborates how the Bank integrates environmental and social issues into its processes and activities, and sets the roles and responsibilities including the requirements to deliver these commitments.

The policy defines how the Bank manage the environmental and social risks and impacts, and how Green Climate Fund (GCF) support the overall sustainability of its operations and investments in line with its obligations under national and international law and other relevant standards.

In additional to the developed environmental and social policy, the Bank has also established a unit designated for the assessment and management of Environmental and Social Risks associated with financed projects and advise management accordingly.

In carrying out its mandate of promoting sustainable development, the Bank effectively and equitably manage environmental and social risks and impacts and improve outcomes of the financed activities.

Through this policy, the bank commits to:

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

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

The Bank finances projects and businesses which manage their social and environmental impact in a responsible manner based on the Tanzania national Environmental Management Act (EMA 2004), Environmental Impact Assessment (EIA) and Audit Regulations of 2005 and its revised EIA and Audit-amend Regulations of 2018. The Bank adopted international best practices, particularly the IFC Performance Standards to assess and manage environmental and social impact on projects with high risks/impacts.

The Bank in the daily operations observes the following for all businesses it finances:

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

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 Paper-less withdrawal at branches using Sim Banking and continuing rolling out e-banking services to all customer correspondences.
- Continuing creating awareness to the public on web and mobile - based banking solutions that have cut off the amount of paper used.
- Use of automated internal memo and approval workflow system to track and control the number of printouts monthly.
- Continuing creating awareness on an online lending solution for salaried employees, pensioners and agents using the Simbanking mobile application, in which customers apply without visiting branches as well as elimination of the paper trail throughout the processes.
- Adopting collaboration technologies within the Bank's communication systems, such as videoconference kits to cut the number of hours and material resources spent travelling, by air or road for meetings and the use of electronic reports for management meetings

Sustainable Development Goals (SDGs)

The Group has several initiatives to ensure Group strategies align with the Sustainable Development Goals (SDGs) through our banking products, processes, and loan investment goals, including various efforts to reduce carbon emissions. The Group also is investing in environmental sustainability best practices to promote climate change resilience.

The Group is committed to address climate change and its consequences. To ensure our investors and other stakeholders on the initiatives, the bank incorporated sustainability assessment into its investment and credit processes. Through GCF arrangements, the Bank will finance and assist low-emission projects and activities that will aid in climate change adaptation.

In 2021, the Bank participated in COP26 held in Glasgow UK, and the main discussion was on the global climate change. As the only GCF recognized entity and the National Direct Access Entity, in collaboration with the Vice President Office (VPO) Division of Environment to represent all other Banks and Financial Institutions.

National Climate Change Strategy for the years 2021-2026.

The bank contributed significantly to the environmental and climate change documentation through National Climate Change Strategy for the years 2021-2026.The bank were fully involved in the development and finalization of the strategy, which aims to enable Tanzania to effectively adapt to climate change and participate in global efforts to mitigate climate change in order to achieve sustainable development in line with the Tanzania Development Vision 2025 and the Five-Year National Development Plan.

27. IMPACT OF COVID-19

Since the outbreak of the pandemic two years back, the Group has been continuously tracking the developing issues around COVID-19 including various measures taken by the government of Tanzania through Central Bank to mitigate the spread and impact of the pandemic and has put in place measures to mitigate the impact of the outbreak to customers, employees, and other stakeholders.

Despite the challenges, the business environment in Tanzania remained stable with sustained performance across many sectors. The financial sector continued to perform well, leveraging changes in consumer behaviour to improve offerings and increase income. However, some key sectors bore the biggest brunt in the pandemic, mainly because of the measures taken by individual governments and businesses to respond to the outbreak.

Government of Tanzania took solid measures to control the consequences of Covid-19 by allowing the economic activities to continue and rejecting the full lockdowns. The Covid-19 impacted mostly the tourist sector but other sectors of the economy continuing to perform well such as the construction, agriculture, transportation, health, and trade continued to grow. Collage institutions and schools were not closed during the year because of pandemic, therefore banks continuing to do business by lending and collecting deposits in these sectors.

We are expecting the banking sector to continuing grow further despite the pandemic and this is because of the strong measures the government has taken to improve business environment. The central bank has continuing providing significant relief to promote credit growth for the private sector. The noted measures taken by the central bank of Tanzania and our internal measures has contributed to performance of the bank despite the effect of Covid-19. Also, the ongoing recovery and rolling out of vaccination is good news for the banking sector.

The Bank has taken an advantage of BOT policy measures and implement several relief measures to alleviate the impact of COVID-19 including loans modifications to sectors affected with pandemic.

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

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

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

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

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

· **To protect staff and the general public to ensure business continuity by;**

i) Continuing providing awareness and health campaigns for staff and customers to drive compliance with the mitigation guidelines including social distancing, handwashing and wearing of facemasks.
ii) Ensuring appropriate Personal Protective Equipment (PPEs); Sanitizers, thermometer guns, gloves, and facemasks, which are distributed to the entire network i.e., HQ, branches, and ATMs.
iii) Ongoing implementation of alternative work plans for all staff – including Working from Home (WFH), flexi hours and offsite workspaces to reduce the number of staff in confined spaces.
iv) Embracing technology solutions and tools such as WebEx for internal and external meetings to reduce physical interactions.
v) Go on with awareness sessions for staff and providing essential information through corporate emails and videoconferencing.
vi) Frequent cleaning of the surfaces including points of contact for customers such as doors and ATM points to eliminate pathogens.

Ensure Service Availability to support customer needs

i) Regular Communication to staff, customers, authorities and the general public on service changes and upgrades.
ii) Promotion of alternative banking channels especially digital banking solutions such as SimBanking and internet banking to minimize customer visits to branches.
iii) Provision of hygiene amenities at all branches to ensure customers can access services while observing the mitigation guidelines.
iv) Installation of ssanitizers at ATMs to reduce the risk of surface transmission.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2021

27. IMPACT OF COVID-19 (CONTINUED)

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

Credit risks

In terms of credit risk, the Bank had not experienced the significant increase in credit risk in all its financial instruments despite the outbreak of the COVID-19 Pandemic. Credit portfolio performance was relatively stable during the year, strengthened by the credit reforms implemented over the period. However, there was some slight impact, especially in sectors directly affected by the pandemic mainly the tourist sector. However, the bank took pro-active measures to engage customers' to closely understand their unique situations and support them to navigate the crisis. The main intervention was loans modifications to allow affected customers more time to repay the loans and granting moratorium period on payment of the loan principal and accrued interest based on needs.

The notable improvement in credit portfolio performance during the year is evidenced by the decrease in non-performing loan (NPL) ratio of 3.3% (TZS 175,090 million), compared to 4.4 (TZS 177,990 million) reported in 2020. This achievement is a result of the Bank's pro-active portfolio monitoring strategy through containment of migration, automatic identification of early warning signals and implementing corrective actions.

Additionally, there was focus growth of portfolio with higher yield but lower credit risk such as consumer loans, close engagement with customers and timely restructuring of credit facilities to align with the anticipated cash flows and writing off loan and advances in line with Central bank guidelines. Separately, the Bank continued to engage with all borrowers on sectors affected by the pandemic, close monitoring, and follow up of restructured facilities, especially those affected by COVID-19.

In respect of the above measures, it's noteworthy to say that the COVID-19 impact on the business was insignificant in value, much as it was considered in the measurement of ECL. In respect of forward-looking information applied in ECL model there was insignificant changes, hence no significant adjustment made with respect to economic assumptions applied and disclosed by the bank as at 31 December 2021.

Going Concern

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

Liquidity risk

To resolve the liquidity problems, the Bank continue focusing on more aggressive and effective liquidity management. Strong internal measures were on going during the year especially on deposit mobilization. The bank continuing with campaign dubbed ***Popote Inatiki*** (loosely translated as 'it ticks everywhere') to drive usage of digital channels including cards, in line with the mitigation guidelines by the regulator. To increase daily mobile transaction limit to customers from TZS 3 million to TZS 5 million and daily balance from TZS 5 million to TZS 10 million to encourage customers use digital payment platforms. Also, upscaled our Agency banking (Wakala) business and recruited more agents (currently 19,165). The upscaling involved running a customer education and conversion campaign dubbed "***Tupo Mtaani Kwako***" (loosely translated to mean 'we are in your neighbourhood'). The two campaigns helped the bank mop up deposits, especially from the microenterprise sector and the lower segments of the market. Similarly, the Bank continued participation in public sector projects, coupled with sustained stakeholder engagements added impetus to the adaptation and recovery efforts.

As at 31 December 2021, the liquidity ratio stood at 27.5% which is above the required regulatory ratio of 20%. The core capital and total capital to total risk weighted assets and off-balance sheet exposures, were both at 20% respectively at the end of December 2021, compared with regulatory requirements of 12.5% and 14.5%, respectively.

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

Those charged with governance will continue to monitor the impact of the pandemic on specific business and revenue streams to ensure the Group anticipates any significant changes.

28. RESULTS AND DIVIDENDS

The board recommends a dividend of TZS 36 per share from the year 2021 profit after Tax (2020: TZS 22 per share). The total amount of dividend recommended is TZS 94.0 billion (2020: TZS 57.5 billion), which is 35.1% of the net profit.

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 5 and 8 to the Financial Statements.

30. SOLVENCY

The state of affairs of the Group and the Bank as at 31 December 2021 is set out on page 168 of the financial statements. The Directors consider the Group and Bank to be solvent within the meaning ascribed by the Tanzania Companies Act No.12 of 2002.

31. ACQUISITIONS AND DISPOSALS

During the year there were neither acquisitions nor disposals of subsidiaries.

32. INVESTMENTS

The Group held the following equity investments as at 31 December 2021:

		In TZS' Million
Investment	**Number of shares**	**Value of shares**
Tanzania Mortgage Refinance Company (TMRC)	3,000,000	4,866
Dar es Salaam Stock Exchange (DSE)	327,632	426
Tandahimba Community Bank (TACOBA)*	3,300,000	2,892
Burundi National switch	10,000	136
Kilimanjaro Cooperative Bank (KCBL)	1,400,000	5,187

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

33. INVESTMENTS IN SUBSIDIARIES

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

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

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

34. EMPLOYEES' WELFARE

CRDB Bank is committed to achieving its business objectives through its people. We believe that our employees are the most valuable assets, and we make effort to develop their abilities and productivity. We encourage a work culture, foster relationship with them at every level in the Group, make them express their views and share their ideas to bring about improvements towards the achievement of our vision.

This is based on the conviction that a pleasant and safe working climate, with an emphasis on the enduring availability of satisfactorily trained, active, and motivated workforce, is critical success factor for the Bank and its subsidiaries. The Bank strives to create an environment responsive to different cultures and groups in all our interactions with employees, customers, visitors, suppliers, contractors, shareholders, investors and in the communities in which we operate.

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.

Employees Performance Management

The Bank uses Performance Management System to evaluate employee's performance against set and agreed objectives. The system forms the basis for providing employees with performance feedback, recognition, development, and corrective action plan to promote effective performance.

The Performance Management System is an integrated process with full participation of managers and staff in both setting and reviewing of performance objectives. The Bank uses the Balanced Scorecard and Competencies Based Framework as a tool for assessing performance of its employees. The Balanced Score Card Performance review is conducted semi-annually where the Line Manager and the subordinate meet to review the performance of that ending period and as a session for giving feedback. The Performance assessment results form a valuable component on one's reward.

Training and Development

The role of training is to improve performance in the job, to develop skills and to prepare individuals for other roles and responsibilities. As with promotion and career development, decisions in respect of who is trained and how that training will be facilitated will be based on individual development needs and not on age, disability, gender, socio-economic status, ethnicity, religion.

34. EMPLOYEES' WELFARE (CONTINUED)

The Bank regards its employees as the most valuable asset and is committed to the learning, development, and growth of its employees. The Bank realizes that in discharging its objectives it needs to have trained and skilled personnel to maintain a well-balanced organization and a management team capable of performing the duties of the bank properly.

To meet its present and future human capital demands, the Bank train and develop its employees through various development programs. The Bank encourages its employees to train and develop themselves to acquire skills, knowledge and competencies which is necessary for their productivity, efficiency, and career development plan.

The Bank has adopted a 70-20-10 model which reveals that individuals tend to learn 70% of their knowledge from challenging experiences and assignments (On the job),20% from developmental relationships, and 10% from coursework and training.

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 to enable them to discharge their duties effectively.

Youth Programs

During the year the Bank launched Graduate Program which focuses on preparing college graduates to become experts in banking and building them into future leaders. The program is a rich career and professional development opportunity for committed graduates that aim to make a positive impact in the Banking Sector.

Youth Programs (Continued)

The program came at the right time when the government and development partners in the country are investing heavily in ensuring that university graduates in the country find employment and create a self-employed environment. The program provides more than a job it creates a fast-paced journey to grow the skills of young graduates, develop their carrier, and unlock their potential. A total of 32 young graduates were enrolled both from Tanzania and Burundi. In the course the trainees receive field training through branches, departments, and units within the bank to build their resilience. As a local Bank We are proud to be part of the youth employment solution.

Employee Wellbeing Initiatives

The Bank have an employee wellness program which is a professional service that offers confidential counselling, sensitization training, capacity building and support with regards to health-related issues. The program aims at sensitizing staff to change and live healthier lifestyles. It emphasizes on the balancing of work/life within dimensions like emotional control, behaviour change, mind and body health, physical fitness etc.

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 counselling sessions for all staff and their dependents.

Occupational health and safety policy

The Bank has occupational and health and safety policy aiming at ensuring Occupational Health and Safety (OHS) to CRDB Bank staff, its customers, and premises. It specifies the control requirements and guidelines with respect to Occupational Health and Safety, and provides obligations and responsibilities to staff, board of Directors, and the Management to ensure they act in a manner consistent with regulatory requirements and this Policy.

The primary objective of the policy is to ensure premises and OHS key risk, is understood across the Bank, assessed, and mitigated appropriately and adequately managed. The policy set out the minimum control requirements to address the Premises & OHS framework by explaining 'what' Business Units and Functions need to do; and ensure compliance with relevant legal and regulatory requirements, including any required authorizations, permissions, and licenses.

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.
In addition, the Bank provides medical benefits through medical insurance scheme to all employees' spouse and to a maximum of four dependents on non-contributory basis.

Annual leave

Every employee is entitled to 30 calendar days annual paid leave once in each calendar year. For every full month worked an employee earns 2.5 leave days. Out of the 30 leave calendar days, an employee is required to take at least 14 days consecutive leave in a calendar year.

Employee grievance and complaints management mechanism

The Bank recognize the value and importance of having harmonious environment at the workplace and made effort to ensure any reported complaints and grievances are expeditiously handled.

34. EMPLOYEES' WELFARE (CONTINUED)

Financial Assistance to staff/ Staff loan scheme

The Bank offers staff loans to enable its employees acquire capital goods, property, to effect improvements to their properties, to meet educational expenses for themselves or dependents and to meet unforeseen financial commitments. Staff loans are guided by the Bank's Credit Policy and Credit Manual. Loans are available to all confirmed employees depending on the assessment of the need and circumstances if 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.

Decisions in respect of promotions and career development focus on skills and talents rather than assumptions based on age, disability, gender, socioeconomic status, ethnicity, religion.

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 2021, there were two (2) persons with disabilities who are employees of the Bank. We practise a non-discrimination policy against qualified individuals with disabilities in job application procedures, hiring, firing, promotion, compensation, job training, and other areas of employment.

In the event of any employee becoming physically challenged in the course of employment, where possible, the bank can arrange training to ensure the continuous employment of such a person without subjecting him/her to any disadvantage in his/her career development.

If an employee has a disability, the Group make reasonable adjustments, to accommodate individual requirements. Where possible a range of training options will be used, such as e-learning and regional seminars, to ensure that everyone has equal access to training irrespective of disability, location, or hours of work. Training materials will aim to reflect, in the language and images, the diversity of our employees and customers.

Non-discrimination/ harassment

To provide equal employment and advancement opportunities to all individuals, employment decisions in the Bank are based on merit, qualifications, and abilities. There is no discrimination on employment opportunities or practices because of race, colour, religion, sex, nationality, tribe, age disability, social origin, political opinion, gender, pregnancy, marital status, HIV/AIDS, and status of life.

The Bank is committed to providing a work environment that is free of discrimination and harassment including sexual harassment. Actions, words, jokes, or comments based on an individual's sex, race, ethnicity, age, religion, or any other legally protected characteristic is not tolerated.

Employees with questions or concerns about discrimination and/or being harassed in any way in the workplace are encouraged to inform or report to their direct reports. If the Supervisor is the one accused, the staff is advised to report such an incident to the next Manager or Director in the chain of command. Staff found to be engaging in unlawful discrimination is subject to disciplinary action including termination of employment. Employees are encouraged to raise concerns and report all discriminatory and harassment incidents without fear of reprisal.

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/ DIVERSITY

The Group is an equal gender employer and there several efforts being taken to maintain gender balance. We have "She initiatives program" aiming at empowering women through training, coaching, and mentoring.

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.

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

The Bank strives to create an environment responsive to different cultures and groups in all our interactions with employees, customers, visitors, suppliers, contractors, shareholders, investors and in the communities in which we operate.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2021

35. GENDER PARITY/ DIVERSITY (CONTINUED)

CRDB Bank values diversity; we believe it to be important to business success and integral to achieving our strategic objective of being the best bank to work for. The Bank has a strong commitment to diversity and the fundamental principle that it is not a barrier to participation in our workforce, management, senior executive and on the board of Directors. Our leaders are committed to providing opportunities that allows all employees to reach their full potential. This Diversity and Inclusion Policy sets out the Bank's commitment and approach to creating an inclusive and diverse work environment

As at 31 December 2021, the Group total workforce stood at 3,650 staff where 2,081 (57%) were males and 1,569 (43%) females. The biggest age group in our workforce is below 35 years of age (51%), (47%) are between the ages of 36-55 years and (2%) 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. TALENT MANAGEMENT AND SUCCESSION PLANNING

Succession planning

The Bank endeavours to minimize the risk of key man dependence by creating a succession pool. Successor's development plans are established in preparation for their readiness. The succession pool creates a provision for talent sourcing in the event of an attrition in a critical position. The Succession planning process in the Bank is mainly built to address the following main objectives: Identify high-potential employees capable of rapid advancement to positions of higher responsibility than those they presently occupy, ensure the systematic and long-term development of individuals to replace critical job incumbents as the need arises, provide a continuous flow of talented people to meet the bank's management needs. Succession planning reduces the risk or time it takes to fill a critical role if someone leaves.

Talent management

The Bank undertakes to identify, develop, and retain talented employees. The Bank has its talent management framework which provides a guideline on how talent will be identified in the bank linking performance to potential. To enable the Bank, remain competitive and successfully carry out its activities, ensure long-term supply of required skills and expertise for its business development and sustainability, it is in the bank's best interests to develop staff to be prepared to assume different leadership levels rather than position. Talent Management and development is a model developed to ensure a knowledgeable labour supply exists within the Bank to replace personnel leaving the organization regardless of the reason.

37. RELATED PARTY TRANSACTIONS

Parties are related if one party can control the other party or exercise significant influence over the other party in making financial or operational decisions. In the normal course of business, several 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 684 million (2020: TZS 1,457 million), while loans and advances to Directors and other key management personnel amounted to TZS 7,423 million (2020: TZS 6,258 million). The volumes of related party transactions for the year and the outstanding amounts at the year-end are provided under Note 55 of the financial statements.
The transactions with related parties are carried at arm's length basis.

38. CORPORATE SOCIAL INVESTMENT

The Group has managed to utilize its collective strength to support the community through investing in various sectors such as Education, Health, Environment, Youth and Women, Entrepreneurship, and other Corporate Social Investment (CSI) initiatives. Based upon the CSI Policy objective is to improve the social environment, and economic well-being of the community and society whilst benefiting our stakeholders and building the Bank's reputation as well.

Every year CRDB Bank extends up to 1% of its gross profit towards funding and supporting social initiatives with a view of improving lives. The Bank focuses on Environment, Education, Health and Wellness sectors particularly through sports, maternal and pediatric health care. We strongly believe that by empowering the community through financial and in-kind support, we will be able to make a greater impact, albeit little by little. Strategically, we have realigned our social investments towards activities that have a greater and long-lasting impact on the lives of the ordinary Tanzanian citizen in line with the United Nations Sustainable Development Goals (SDGs) 1, 3, 4, 13, and 17; along with aspirations contained in Tanzania's Vision 2025 blueprint.

Health

During the year, the Bank extended about TZS 735 million to the health sector. Funds were channelled towards expanding healthcare infrastructure, the construction and/or renovation of dispensaries, wards, and the purchase of medical equipment as well as the purchase of wheelchairs for disabled people. In furtherance of the Group's annual investment in healthcare, a total of TZS 50 million was extended to support the construction of Doctor's House in Kizimkazi, Zanzibar to better the living for the professional care providers.

Through a partnership with the Jakaya Kikwete Cardiac Institute (JKCI), the Group also extended its support towards pediatric health through a TZS 200 million grant to fund cardiac surgeries for 100 underprivileged children. The group partnered with Ocean Road Cancer Institute (ORCI), raising 104 million to support the establishment of the Call Centre for the ORCI. The two grants were proceeds of a charity CRDB Bank Marathon event held in August 2021, which brought together over a dozen corporate partners and attracted more than 6,000 participants. The Marathon, christened CRDB Bank Marathon 2021 was themed "Kasi isambazayo tabasamu", loosely translated as 'speed that spreads a smile.' The charity marathon, which was a huge success, has been adopted as an annual event for the Group and has been a very successful event that has attracted a lot of partners through strategic partnerships efforts.

38. CORPORATE SOCIAL INVESTMENT (CONTINUED)

Education

During the 2021 financial year, the Group invested more than TZS 522 million in the sector. The investment mainly targeted infrastructure upgrades to improve the learning conditions for students resourcing schools with tools to facilitate the learning. Most funds were extended to cater for the construction and renovation of more than 20 classes, provision of more than 500 desks, construction of dormitories, and support to orphanage centres in the country.

Environment

CRDB Bank Group's aspiration to be an environmental steward moved a notch higher in 2021 with the launch of a three-year environmental campaign dubbed Pendezesha Tanzania. The initiative earned the Bank an ambassadorial appointment from the Office of Vice President as a partner in the government environmental campaign. The Group invested a total of TZS 147 million in the campaign. With an emphasis on the 13th UN Sustainable Development Goal (SDGs), to take action to combat climate changes, Pendezesha Tanzania conceptualized to champion tree planting in urban areas to mitigate human pollution brought about by human activity and urban settlement.

The campaign targets the planting of 100,000 trees all over the country. It also seeks to drive public awareness initiatives on sanitation through regular public cleaning exercises and awareness to the masses. The initiative was also cascaded to branches that successfully planted trees in primary and secondary schools in their communities as well as supporting their local municipal initiatives through local government.

Youth and Women Empowerment

A total of TZS 177 million was invested in Youth, Women, and wellness programs through sports during the year, with a significant amount, channelled towards promoting talent and impacting financial literacy. This culminated in a second national basketball tournament for two years consecutively held in the capital city of Dodoma in the fourth quarter of the year.

The tournament christened 'CRDB Bank Taifa Cup 2021' pooled together more than two dozen teams from 26 regions in Tanzania to a high-octane fete that provided a unique scouting ground for basketball talent. The tournament culminated in the sponsorship of university students with scholarship funding to support further their academic progress.

The Group partnered with different women groups and associations to support women and assist in growing up their businesses to improve their revenue potential and improve their livelihoods. TZS 105 million was donated to support these women and more than 300 women were trained on financial literacy with a view to improving financial inclusion for the women segment.

Others

Apart from the major sectors, the Group has managed to engage and give back to the community by providing over TZS 230 million to support the government and other CSI Initiatives.

39. POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group did not make any political contributions during the year (2020: Nil).

40 . SERIOUS PREJUDICIAL ISSUES/ MATTERS

During the year 2021, there were no serious legal matters which could affect the Group or Bank (2020: None).

41. EVENTS AFTER REPORTING PERIOD

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

42. STATEMENT OF COMPLIANCE

The Report by those charged with governance has been prepared in compliance with the Tanzania Financial Reporting Standard No. 1 (The Report by those charged with governance).This standard replaces TFRS 1 on Directors report that was issued by NBAA on 1 January 2010.The standard becomes operative for financial statements covering accounting periods beginning on or after 1st January 2021.

43. APPOINTMENT OF AUDITORS

Bank's External Auditor.

Ernst & Young (EY)
Tanhouse Tower (4th floor), 34/1 Ursino South,
New Bagamoyo Road, Dar es Salaam P.O. Box 2475, Tanzania
Office: +255 22 292 7868 | Fax: +255 22 292 7872, Cell: +255 654 818 513
Website: http://www.ey.com
Firms' registration Number: 151
TIN number: 100-149-222

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2021

Our External auditor (EY) has been appointed as per the 'Banking and Financial Institutions (External Auditors) Regulation, 2014, section 5 (1) 'A bank or financial institution shall appoint annually an external auditor who has no conflict of interest and notify the Bank within seven days of such appointment'. Ernst & Young has been re-appointed for the second term of three years from 2021 through a competitive bidding as required by Banking and Financial Institutions (External Auditors) Regulation, 2014, section 6 (2) 'the re-appointment of an external auditor for a second term of three years shall be subject to a competitive bidding' . EY was approved at the Annual General Meeting held in 22 May 2021. To comply with the 'Banking and Financial Institutions (External Auditors) Regulation, 2014, section 6 (4) 'An external auditor shall rotate the engagement partner in charge of audit of a bank or financial institution after every three years', the engagement partner in charge of the audit of the bank has been changed.

Partner's PF Number: ACPA 3438

44. RESPONSIBILITY OF THE AUDITORS

Auditor is responsible to provide assurance of the correctness and consistency of each information contained in the report by those charged with governance with those provided in the financial statements.

45. STATEMENT OF RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE

It is the responsibility of those charged with governance to prepare financial statements of the Group which show a true and fair view in accordance with applicable standards, rules, regulations, and legal provisions. This responsibility covers the period from the beginning of the financial year to the date those charged with governance approve the audited financial statements and it covers all those charged with governance who acted in this capacity during any part of the period covered by financial statements.

BY ORDER OF THOSE CHARGED WITH GOVERNANCE

SIGNED ON ITS BEHALF BY:

Dr. Ally H. Laay Chairman	21 March 2022 Date
Hosea E. Kashimba Non-executive Director	21 March 2022 Date

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

The Companies Act No.12 of 2002 requires the 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 not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of Those charged with governance by:

Dr. Ally H. Laay	21 March 2022
Chairman	Date

DECLARATION OF THE CHIEF FINANCIAL OFFICER FOR THE YEAR ENDED 31 DECEMBER 2021

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

It is the duty of a Professional Accountant to assist the board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's position and performance in accordance with applicable International Financial Reporting Standards (IFRS) and statutory financial reporting requirements.

Full legal responsibility of the preparation of financial statements rests with the board of those charged with governance has declared under the Statement of Directors' Responsibility on page 160.

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 2021 have been prepared in compliance with International Financial Reporting Standards (IFRS) and the requirements of Companies Act No.12 of 2002 and Banking and Financial Institutions Act (BFIA), 2006 and its regulations.

I, thus confirm that the consolidated and separate financial statements give a true and fair view position of CRDB Bank Plc and its subsidiaries as on that date and that it has been prepared based on properly maintained financial records.

Signed By:

Frederick B. Nshekanabo	21 March 2022
	Date

Chief Financial Officer
ACPA 1388

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REPORT ON THE AUDIT OF THE GROUP AND BANK FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of CRDB Bank Plc (the "Bank") and its subsidiaries (together, the "Group") set out on pages 166 to 382, which comprise the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the 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 2021, 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 2021, the provision for impairment on loans and advances to customers was TZS 23.04 billion (2020: TZS 74.46 billion) This represents the estimation of expected losses on loans and advances to customers at the year end. The determination of appropriate provisions for impairment is a key audit matter as it requires management judgement, is subject to estimation uncertainty and relies on available data. Management's assessment of significant increase or decrease in credit risk involves judgments and if not properly performed may result into misallocation of loans in different categories based on levels of risks hence misstatement of the impairment amount. There is a risk that the provision for impairment of financial assets does not represent a complete and accurate estimate of expected losses and that the carrying value of these items is misstated. This includes the risk that the ECL model is not in compliance with IFRS 9. The accounting policy and key sources of estimation uncertainty in relation to financial asset impairment provisions are disclosed in Note 7 (7.15) to the financial statements on pages 193 to 196.	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 into different categories. • We tested a sample of loans to ensure that they have been included in the correct stage in accordance with the Bank's methodology and IFRS 9. • We reviewed the IFRS 7 disclosures for compliance with the amendments relating to IFRS 9.

Other Information included in the Group's 2021 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.

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

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 are also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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;

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONTINUED)

- The Directors' Report is consistent with the consolidated and separate financial statements;
- Information specified by law regarding directors' remuneration and transactions with the Group and the Bank is disclosed; and
- The consolidated and separate statements of financial position and consolidated and separate statements of profit or loss and other comprehensive income are in agreement with the books of account.

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

- In our opinion, the capital adequacy ratios as presented in Note 10.11 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 Deokari S. Mkenda.

25 MARCH 2022

Deokari S. Mkenda (ACPA 3438)
For and behalf of:
Ernst & Young
Certified Public Accountants
Dar es Salaam

Date

STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

In TZS' Million

	Note	GROUP 2021	GROUP 2020	BANK 2021	BANK 2020
Interest income Calculated using the Effective Interest Method	11	**789,666**	699,294	**758,261**	671,129
Other interest and similar income		**779**	-	**779**	-
Interest expense Calculated using the Effective Interest Method	12	**(142,239)**	(116,305)	**(134,781)**	(109,072)
Other Interest and Similar expense	12	**(2,331)**	(2,509)	**(2,278)**	(2,461)
Net interest income		**645,875**	580,480	**621,981**	559,596
Fees and commission income	13A	257,305	204,092	**253,060**	194,021
Fees and commission expense	13B	(51,248)	(36,433)	**(51,150)**	(36,428)
Net fees and Commission Income		**206,057**	**167,659**	**201,910**	**157,593**
Net foreign exchange income	14	**37,768**	36,719	**36,502**	34,444
Credit Loss expense on financial assets	31	**(23,255)**	(73,065)	**(23,433)**	(72,750)
Net gains/(losses) on financial assets at fair value through profit or loss	15	**1,447**	556	**546**	-
Net gains/(losses) on equity investment at FVPL	15	**331**	(485)	**331**	(485)
Net gains/(losses) on derecognition of financial assets measured at fair value through OCI	16	**31,084**	19,510	**31,084**	19,510
Other Operating income	17	**1,408**	4,261	**6,541**	6,931
Net Operating Income		**900,715**	735,635	**875,462**	704,839
General and administrative expenses	18	**(150,661)**	(132,672)	**(144,123)**	(127,219)
Depreciation and amortisation	19	**(66,520)**	(58,718)	**(65,060)**	(57,422)
Employees benefits expenses	20	**(293,788)**	(293,054)	**(286,246)**	(283,594)
Impairment Other Assets	33	**(2,380)**	(15,021)	**(2,520)**	(15,021)
Total Operating Expenses		**(513,349)**	(499,465)	**(497,949)**	(483,256)
Profit before income tax		**387,366**	236,170	**377,513**	221,583
Income tax expense	21A	**(119,205)**	(70,984)	**(117,896)**	(68,594)
Profit for the year		**268,161**	165,186	**259,617**	152,989
Profit attributable to:					
Owners of the parent entity		**268,161**	165,186		
Non-Controlling interests*		**-**	-		
		268,161	165,186		
Basic and diluted earnings per share attributable to equity holders of the parent entity (TZS)	22	**102.67**	63.24		

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

					In TZS' Million
		GROUP		BANK	
	Note	2021	2020	2021	2020
Profit for the year		**268,161**	165,186	**259,617**	152,989
Items that may be subsequently reclassified to profit or loss:					
Gain on Debt instruments at FVOCI		**26,467**	54,348	**26,467**	54,348
Gain on Debt instrument at FVOCI reclassified to Profit or loss		**(31,084)**	(19,510)	**(31,084)**	(19,510)
Income tax relating to these items		**2,915**	(12,293)	**2,915**	(12,293)
Translation reserve		**(791)**	(359)	**-**	-
Total items that will be reclassified to the statement of profit or loss		**(2,493)**	22,186	**(1,702)**	22,545
Items that may not be subsequently reclassified to profit or loss:					
Revaluation gains/(losses) on equity instrument at FVOCI	50	**1,991**	(1,973)	**1,991**	(1,973)
Revaluation surplus – Motor vehicles and mobile branches		**-**	1,047	**-**	1,047
Income tax relating to these items**		**(824)**	778	**(824)**	778
Total items that will not be reclassified to the statement of profit or loss		**1,167**	(148)	**1,167**	(148)
Other comprehensive income for the year, net of tax		**(1,326)**	22,038	**(535)**	22,397
Total comprehensive income		**266,835**	187,224	**259,082**	175,386
Total comprehensive income attributable to:					
Owners of the parent entity		**266,835**	175,440	**259,082**	175,386
Non-controlling interests*		-	-	-	-
		266,835	175,440	**259,082**	175,386

*The Group's subsidiaries are 100% owned by the parent entity.
**Taxes relates to Revaluation gain on equity instrument at FVOCI.

The presentation in the statement of comprehensive income for both Group and Bank was updated for prior year to clearly show items reclassified from OCI to profit and Loss. This reclassification did not impact the profit for the year, earnings per share (basic and diluted), the statement of financial position, key ratios or statement of cash flow.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

					In TZS' Million
		GROUP	GROUP	BANK	BANK
	Note	2021	2020	2021	2020
ASSETS					
Cash and balances with central bank	24	**888,698**	652,918	**869,079**	633,209
Due from banks	25	**493,216**	361,902	**442,784**	382,207
Financial Assets at FVPL	26	**27,097**	5,572	**20,807**	-
Debt Instruments at FVOCI	27	**424,160**	501,005	**424,160**	501,005
Credit cards	28	**1,844**	529	**1,844**	529
Equity investment at FVPL	29A	**2,886**	2,555	**2,886**	2,555
Equity investment at FVOCI	29B	**10,595**	8,623	**10,479**	8,488
Loans and advances to customers	30	**5,040,368**	3,929,096	**4,903,448**	3,852,158
Debt Instrument at amortised cost	27	**1,202,593**	995,824	**1,001,563**	843,316
Other assets	33	**210,932**	208,597	**213,012**	206,875
Current income Tax recoverable	21B	**8,940**	17,169	**9,619**	17,505
Investment in subsidiary	34	**-**	-	**21,683**	21,683
Non-Current Assets Held for Sale	35	**16,600**	16,600	**16,600**	16,600
Property and equipment	36A	**357,556**	335,647	**346,040**	323,207
Motor vehicles and Mobile Branches	36B	**20,685**	18,064	**19,815**	17,248
Right-of-use assets	37	**35,355**	27,678	**34,939**	26,992
Prepaid operating leases	38	**9,730**	10,028	**9,730**	10,028
Intangible assets	39	**25,174**	30,026	**24,173**	29,193
Deferred income tax asset	40	**41,130**	48,639	**41,138**	48,647
TOTAL ASSETS		**8,817,559**	7,170,472	**8,413,799**	6,941,445
LIABILITIES					
Deposits from Customer	41	**6,489,614**	5,434,647	**6,153,920**	5,234,145
Deposits and balances due to other banks	42	**715,202**	296,212	**682,948**	295,984
Other liabilities	43A	**150,468**	118,220	**147,614**	116,513
Lease Liability	43B	**37,676**	29,618	**37,120**	28,688
Provisions	44	**2,679**	4,218	**2,679**	4,218
Grants	45	**4,730**	6,132	**4,730**	6,132
Borrowings	46	**197,862**	238,054	**197,862**	238,054
Subordinated Debts	47	**-**	32,407	**-**	32,407
TOTAL LIABILITIES		**7,598,231**	6,159,508	**7,226,873**	5,956,141
EQUITY					
Share capital	49	**65,296**	65,296	**65,296**	65,296
Share Premium	50	**158,314**	158,314	**158,314**	158,314
Retained earnings	50	**943,500**	735,698	**919,841**	716,470
Legal Provision Reserve	50	**6,951**	3,346	**-**	-
Regulatory reserve	50	**756**	1,259	**-**	-
Translation Reserve	50	**1,036**	1,827	**-**	-
Revaluation Reserve	50	**43,475**	45,224	**43,475**	45,224
TOTAL EQUITY		**1,219,328**	1,010,964	**1,186,926**	985,304
TOTAL LIABILITIES AND EQUITY		**8,817,559**	7,170,472	**8,413,799**	6,941,445

The financial statements on pages 166 to 382 were approved and authorised for issue by those charged with governance on 18th February 2022 and signed on its behalf by:

Dr. Ally H. Laay
Chairman

Abdulmajid M. Nsekela
Managing Director

Hosea E. Kashimba
Non-Executive Director

STATEMENTS OF CHANGES IN EQUITY

GROUP									In TZS' Million
Year ended 31 December 2021	Note	Share capital	Share premium	Retained earnings	Regulatory reserve	Legal provision reserve	Revaluation reserve	Translation reserve	Total
At 1 January 2021		65,296	158,314	735,698	1,259	3,346	45,224	1,827	1,010,964
Profit for the year		-	-	268,161	-	-	-	-	268,161
Comprehensive income									
Gain on Debt instruments at FVOCI	50	-	-	-	-	-	26,467	-	26,467
Gain on Debt instrument at FVOCI reclassified to Profit or loss							(31,084)		(31,084)
Revaluation gain/ (loss) on equity instrument at FVOCI		-	-	-	-	-	1,991	-	1,991
Tax on other comprehensive income							2,091		2,091
Translation reserve		-	-	-	-	-	-	(791)	(791)
Total comprehensive income		-	-	268,161	-	-	(535)	(791)	266,835
Transfer of excess depreciation net of deferred tax	50	-	-	1,214	-	-	(1,214)	-	-
Transfer to general Banking reserve and regulatory Banking risk reserve		-	-	(508)	(503)	-	-	-	(1,011)
Legal Provision		-	-	(3,605)	-	3,605	-	-	-
Transactions with shareholders									
Dividends declared	23	-	-	(57,460)	-	-	-	-	(57,460)
At 31 December 2021		65,296	158,314	943,500	756	6,951	43,475	1,036	1,219,328

STATEMENTS OF CHANGES IN EQUITY

GROUP									In TZS' Million
Year ended 31 December 2020	**Note**	**Share capital**	**Share premium**	**Retained earnings**	**Regulatory reserve**	**Legal provision reserve**	**Revaluation reserve**	**Translation reserve**	**Total**
At 1 January 2020		65,296	158,314	619,407	695	3,346	23,825	2,186	873,069
Liquidation of MFSCL*		-	-	(4,631)	-	-	(297)	-	(4,928)
Profit for the year		-	-	165,186	-	-	-	-	165,186
Comprehensive income									
Gain on Debt instruments at fair value through OCI	50	-	-	-	-	-	42,055	-	42,055
Gain on Debt instrument at FVOCI reclassified to Profit or loss		-	-	-	-	-	(19,510)	-	(19,510)
Revaluation surplus – Motor Vehicle and mobile branches		-	-	-	-	-	1,047	-	1,047
Translation reserve		-	-	-	-	-	-	(359)	(359)
Revaluation gain/ (loss) on equity instrument at FVOCI		-	-	-	-	-	(1,195)	-	(1,195)
Total comprehensive income		-	-	165,186	-	-	22,397	(359)	187,224
Transfer of excess depreciation net of deferred tax	50	-	-	701	-	-	(701)	-	-
Transfer to general Banking reserve and regulatory Banking risk reserve		-	-	(564)	564	-	-	-	-
Transactions with shareholders									
Dividends declared	23	-	-	(44,401)	-	-	-	-	(44,401)
At 31 December 2020		65,296	158,314	735,698	1,259	3,346	45,224	1,827	1,010,964

*The amount relates to the retain earnings of the MFSCL subsidiary liquidated during the year by transferring its operations to the parent company.

STATEMENTS OF CHANGES IN EQUITY

BANK Year ended 31 December 2021	Note	Share capital	Share premium	Retained earnings	Regulatory reserve	Revaluation reserve	In TZS' Million Total
At 1 January 2021		65,296	158,314	716,470	-	45,224	985,304
Profit for the year		-	-	259,617	-	-	259,617
Comprehensive income							
Gain/ (Loss) on debt instruments at fair value through OCI	50	-	-	-	-	26,467	26,467
Reclassified to profit or loss						(31,084)	(31,084)
Revaluation gain/ (loss) on equity instrument at FVOCI		-	-	-	-	1,991	1,991
Tax on other comprehensive income						2,091	2,091
Total comprehensive income		-	-	259,617	-	(535)	259,082
Transfer of excess depreciation net of deferred tax	50	-	-	1,214	-	(1,214)	-
Transactions with shareholders							
Dividend declared	23	-	-	(57,460)	-	-	(57,460)
At 31 December 2021		65,296	158,314	919,841	-	43,475	1,186,926

STATEMENTS OF CHANGES IN EQUITY

BANK							In TZS' Million
Year ended 31 December 2020	**Note**	**Share capital**	**Share premium**	**Retained earnings**	**Regulatory reserve**	**Revaluation reserve**	**Total**
At 1 January 2020		65,296	158,314	607,181	-	23,528	854,319
Profit for the year		-	-	152,989	-	-	152,989
Comprehensive income							
Gain/ (Loss) on debt instruments at fair value through OCI	50	-	-	-	-	42,055	42,055
Reclassified to profit or loss						(19,510)	(19,510)
Revaluation surplus – Motor Vehicle and mobile branches		-	-	-	-	1,047	1,047
Unrealized gain on equity investments		-	-	-	-	(1,195)	(1,195)
Total comprehensive income		-	-	152,989	-	22,397	175,386
Transfer of excess depreciation net of deferred tax	50	-	-	701	-	(701)	-
Transactions with shareholders							
Dividend declared	23	-	-	(44,401)	-	-	(44,401)
At 31 December 2020		65,296	158,314	716,470	-	45,224	985,304

The presentation in the statement of changes in equity for both Group and Bank was updated for prior year to clearly show items relating to comprehensive income, and equity transfers and transactions that do not form part of total comprehensive income. This update did not impact the profit for the year, earnings per share (basic and diluted), the statement of financial position, key ratios or statement of cash flow.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

In TZS' Million

	Note	GROUP 2021	GROUP 2020	BANK 2021	BANK 2020
Cash flow from operating activities					
Profit before income tax		**387,366**	236,170	**377,513**	221,583
Adjustment for:					
Depreciation of property and equipment	36A	**40,862**	32,735	**39,941**	32,092
Depreciation of motor vehicle and mobile branches	36B	**3,314**	2,879	**3,170**	2,720
Depreciation of right-of-use assets	37	**13,041**	12,961	**12,856**	12,766
Amortization of intangible assets	39	**9,005**	9,826	**8,795**	9,527
Depreciation of prepaid operating leases	38	**298**	318	**298**	318
Loss/(Gain) on disposal of property and equipment	17	**78**	581	**78**	517
Loan impairment charges	30	**54,788**	87,533	**54,944**	86,947
Provisions - Debt instruments	31	**41**	(3,725)	**41**	(3,725)
Provisions - Placements	31	**(203)**	906	**(203)**	906
Provisions - Off balance sheet	31	**1,050**	55	**1,050**	55
Provisions - Credit cards	31	**(682)**	1,367	**(682)**	1,367
Dividend income		**38**	2,934	**5,171**	5,604
Other assets impairment charges	33	**2,380**	15,021	**2,520**	15,021
Grant utilization	45	**(1,402)**	(1,854)	**(1,402)**	(1,790)
Interest income	11	**(790,445)**	(699,294)	**(759,040)**	(671,129)
Interest expense	12	**144,570**	118,814	**137,059**	111,533
Loss/(Gain) on FVPL		**(1,778)**	(71)	**(877)**	485
Foreign currency exchange loss/(gain) on borrowings	46	**(74)**	1,727	**(74)**	1,727
Foreign currency exchange loss/(gain) on cash and cash equivalents		**(6,353)**	9,067	**(6,353)**	9,130
		(531,472)	(408,220)	**(502,708)**	(385,929)
Changes in operating assets and liabilities:					
Statutory minimum reserve		**(1,387)**	110,630	**1,387**	110,630
Due from banks		**(133,451)**	117,769	**(57,429)**	39,630
Financial Assets at FVPL*		**(22,194)**	(5,989)	**(20,574)**	-
Debt Instruments at FVOCI		**134,344**	(32,378)	**134,344**	(32,378)
Credit card*		**(631)**	(248)	**(631)**	(248)
Loans and advances to customers		**(1,145,226)**	(707,621)	**(1,097,684)**	(639,608)
Debt Instrument at amortised costs		**(181,820)**	(31,552)	**(138,960)**	4,545
Other assets		**(7,078)**	(29,149)	**(10,969)**	(23,445)
Deposits from customers		**1,054,061**	231,065	**921,092**	166,370
Deposits and balances due to other bank		**485,709**	252,143	**381,335**	277,321
Other liabilities		**31,280**	3,669	**30,472**	346
Provisions		**(2,703)**	(453)	**(2,292)**	(453)
Interest received from loans and advances to customers		**569,687**	482,700	**568,231**	486,127
Interest received from credit card		**692**	166	**692**	166

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

					In TZS' Million
		GROUP	GROUP	BANK	BANK
	Note	2021	2020	2021	2020
Interest received from Debt instruments at amortised cost		**96,937**	110,502	**85,554**	100,880
Interest received from Debt instruments at FVOCI		**67,771**	75,548	**67,771**	72,791
Interest received from financial assets FVPL		**1,447**	547	**546**	547
Interest paid		**(110,159)**	(83,695)	**(105,585)**	(80,813)
Income tax paid		**(99,618)**	(47,777)	**(98,937)**	(46,344)
Net cash generated from operating activities		**593,555**	283,540	**533,168**	277,613
Cash flows from investing activities					
Purchase of property and equipment	36A	**(63,890)**	(88,572)	**(63,108)**	(85,883)
Purchase of motor vehicle and mobile branches	36B	**(6,339)**	(6,337)	**(6,049)**	(5,937)
Purchase of intangible assets	39	**(4,449)**	(3,980)	**(3,864)**	(3,640)
Investment in shares		**-**	(7,000)	**-**	(7,000)
Dividend received		**38**	2,322	**38**	2,322
Proceeds from disposal of property and equipment, motor vehicle and intangible assets		**988**	393	**567**	393
Net cash used in investing activities		**(73,652)**	(103,174)	**(72,416)**	(99,745)
Cash flows from financing activities					
Dividends paid		**(57,546)**	(44,401)	**(57,546)**	(43,518)
Borrowings received		**20,970**	-	**20,970**	-
Repayment of borrowings	46	**(59,450)**	(59,652)	**(59,450)**	(59,652)
Interest paid on borrowings	46	**(14,201)**	(11,842)	**(14,201)**	(11,842)
Repayment of subordinated debt	47	**(30,000)**	-	**(30,000)**	-
Interest paid on subordinate debt	47	**(3,998)**	(2,400)	**(3,998)**	(2,400)
Interest paid on lease liabilities	43B	**(2,331)**	(2,509)	**(2,278)**	(2,461)
Principal payment on lease liabilities	43B	**(12,745)**	(12,131)	**(12,369)**	(12,164)
Net cash (used in) financing activities		**(159,301)**	(132,935)	**(158,872)**	(132,037)
Cash and cash equivalents at 1 January		**784,857**	747,098	**773,609**	737,416
Net cash generated from operating activities		**593,555**	283,540	**533,168**	277,613
Net cash used in investing activities		**(73,652)**	(103,174)	**(72,416)**	(99,745)
Net cash used in financing activities		**(159,301)**	(132,935)	**(158,872)**	(132,037)
Effect of exchange rate change on cash and cash equivalents		**6,433**	(9,672)	**6,353**	(9,638)
Cash and cash equivalents at 31 December	51	**1,151,892**	784,857	**1,081,842**	773,609

*The changes in working capital section of the cash flows statement were updated to separately present changes relating to credit card that was previously included within loan and advances to customers and financial assets at fair value through profit that was previously included within other assets.

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NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

CRDB Bank Plc (the "Bank") and its subsidiaries CRDB Insurance Broker Limited, and CRDB Bank Burundi S.A (together, "the Group") provide corporate and retail Banking services including microfinance and insurance services. The Bank is a public limited company incorporated under the Companies Act No.12 of 2002 and is domiciled in Tanzania.

The Bank and CRDB Insurance Brokerage Limited operate in Tanzania. CRDB Bank Burundi S.A. operates in Burundi.

The Bank's shares are listed on the Dar es Salaam Stock Exchange (DSE).

The address of its registered office is as follows:

CRDB Headquarters,

Plot No.25 & 26 Ali Hassan Mwinyi Road &
Plot No.21 Barack Obama Road
P.O. Box 268, 11101 Dar es Salaam, Tanzania

The consolidated and Bank's financial statements for the year ended 31 December 2021 were approved for issue by Those Charged with governance on 18th Feb 2022. Neither the entity's owners nor others have the power to amend the financial statements after issue.

2. BASIS OF PREPARATION

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

- Debt instrument at fair value through OCI and motor vehicles and/or mobile branches measured at fair value
- Other financial assets and liabilities measured at amortised cost as explained in the accounting policies.
- Financial assets measured at FVPL
- Equity instrument measured at FVOCI
- Equity instrument measured at FVPL

In the preparation of financial statements, the Bank has considered the impact of COVID-19 especially on areas which needs significant estimates and judgements and considered materiality assessments.

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

The Bank has prepared its consolidated financial statement on the basis that it will continue to operate as a going concern.

3. STATEMENT OF COMPLIANCE

The Group's consolidated and separate 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 Group's consolidated and separate financial statements, except for cashflow statement, have been prepared using the accrual basis of accounting.

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 8.

4. PRESENTATION OF FINANCIAL STATEMENTS

These financial statements comprise the statements of financial position (also referred to as the balance sheet) as at 31 December 2021, the income statement; and statement of other comprehensive income, statements of changes in equity and statements of cash flows for the year ended; as well as the notes, which comprise a summary of significant accounting policies and other explanatory notes.

The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle most assets/liabilities of the corresponding financial statement line item.

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position except when IFRS netting criteria are met.

Covid-19 impact

The impact of the spread of Covid-19 continues to be felt across the global economy, with many governments across the world reinstating national lockdowns. These have resulted in extensive travel restrictions and quarantine measures being maintained, all which impact on the current state of the global economy. Although the successful rollout of vaccines is expected to boost global economic growth, it is still not possible to accurately predict the full extent and duration of the Covid-19 pandemic and its economic impact.

4. PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Application of the going concern principle

The Group's management has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

(i) New and amended standards adopted by the Group and Bank

The following standards have been adopted by the Group and Bank for the first time for the financial year beginning on 1 January 2021:

International Financial Reporting Standards and amendments effective for the first time for December 2021 year-end		
Number	**Effective date**	**Executive summary**
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)	Annual periods beginning on or after 1 January 2021 (Published August 2020)	The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one. For further details on IBOR reforms refer to note 10.5.3.1
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 June 2020 (Early adoption is permitted) (Published June 2020)	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The Group has performed an assessment there was no rent concessions that met the criteria under the amendment.

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Number	**Effective date**	**Executive summary**
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023 Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17. (Published May 2017)	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. Therefore, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Number	**Effective date**	**Executive summary**
IFRS 17, Insurance contracts Amendments	Annual periods beginning on or after 1 January 2023 (Published June 2020)	In response to some of the concerns and challenges raised, the board developed targeted amendments and several proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway. Management has performed a preliminary assessment and it is expected that IFRS 17 will have an impact on Group's portfolio of performance bonds which meet the definition of insurance contract. The majority of Group's performance Bond are short term, and these will qualify for the premium allocation approach. As at 31 December 2021 performance bonds with carrying value TZS 130,211million are expected to meet the definition of insurance contracts as per IFRS 17. Under the premium allocation approach the measurement of insurance contracts will follow the following IFRS 17 principles; • The liability for remaining coverage as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognised in profit or loss over the expired portion of the coverage period based on the passage of time. • For group of contracts that are assessed as onerous at initial recognition(loss making groups), an onerous loss will be recognised in profit or loss with the corresponding increase in the liability of remaining coverage. • The liability for incurred claims will be measured at the amount of the fulfilment cash flows relating to incurred claims, in accordance with the fulfilment cash flow requirements of the general measurement model. The Group is currently finalizing the assessment and implementation of IFRS 17. The Group is expecting to apply the standard/ amendment on 1 January 2023.
Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, to determine what constitutes an asset or a liability in a business combination. In addition, the board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. The Group is currently assessing the impact of the amendments to determine the impact. The Group is expecting to apply the standard/ amendment on 1 January 2022.

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Number	**Effective date**	**Executive summary**
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract. The Group is expecting to apply the standard/ amendment on 1 January 2022.
Annual improvements cycle 2018 - 2020	Annual periods beginning on or after 1 January 2022 (Published May 2020)	These amendments include minor changes to: IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual period in which it will first apply the amendment and does not expect this will result in a material impact on its financial statements. IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives. The Group is expecting to apply the standard/ amendment on 1 January 2022.
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2023 (Published Jan 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The Group does not expect the amendment will have significant impact to the financial statements. The Group is expecting to apply the standard/ amendment on 1 January 2023.

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Number	**Effective date**	**Executive summary**
Definition of Accounting Estimates - Amendments to IAS 8	The amendments are effective for annual reporting periods beginning on or after 1 January 2023	In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted if this fact is disclosed. The amendments are not expected to have a material impact on the Group. The Group is expecting to apply the standard/ amendment on 1 January 2023.
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted.	In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures The Group is expecting to apply the standard/ amendment on 1 January 2023.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	The amendments apply for annual reporting periods beginning on or after 1 January 2023	The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g., leases. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. Under the amendments, the Group will recognise a separate deferred tax asset and a deferred tax liability The amendments are not expected to have a material impact on the Group. The Group is expecting to apply the standard/ amendment on 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.

For all new standards and interpretations not yet adopted and the Group and Bank, will be adopted on the respective effective dates.

6. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries, CRDB Insurance Broker Limited and CRDB Bank Burundi S.A. for the year ended 31 December 2021. The reporting date for all subsidiaries is 31 December.

The Bank consolidates a subsidiary when it controls it. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Bank considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Bank can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights

Whether the Bank is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns. Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Bank and to the non-controlling interests (NCIs), even if this results in the NCIs having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Bank's accounting policies.

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.

Non-controlling interests (NCI)

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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.

Transactions eliminated on consolidation

All Intercompany transactions/ balances (assets, liabilities, equity, income, expenses, and cash flows) between members of the Bank are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Tanzanian Shillings (TZS), which is the Group's presentation and functional currency. The Bank uses the direct method of consolidation.

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

(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: -

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in 'translation reserve' in equity.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.2 Recognition of interest income and expense

Interest income includes:

- Interest on financial instruments measured at amortised cost and debt instruments measured at fair value through other comprehensive income.
- Interest on financial asset debt instruments measured at fair value through profit or loss that are held by and managed as part of the group's funding operations.

7.2.1 The effective interest rate method

The Bank recognise interest income for all financial assets measured at amortised cost and FVOCI using the effective interest rate method. Interest expense is also calculated using the effective interest rate method for all financial liabilities held at amortised cost.

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

The EIR (and therefore, the amortised cost of the financial asset) is calculated by considering transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also considers the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.
The IBOR reform Phase 2 amendments allow as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

7.2.2 Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information. The Group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information. The Group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired (as set out in Note 7.12.1) and is therefore regarded as "stage 3" the interest income is calculated by applying the EIR to the net amortised cost of the credit-impaired financial asset (i.e., the gross carrying amount less the allowance for expected credit losses (ECLs). If the financial asset cures (as outlined in Note 7.16) and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

For financial assets originated or purchased credit impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset. This interest rate is determined based on the amortised cost and not the gross carrying amount of the financial asset and incorporates the impact of expected credit losses in the estimated future cash flows of the financial asset.

7.3 Fees and commission income

The Bank 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 Bank 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 Bank's revenue contracts do not include multiple performance obligations.

When the Bank provides a service to its customers, consideration is determined as per the Banks' rates and charges and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time. The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Based on the nature of Bank's revenue contracts which is in a single performance obligation the Bank has not made any significant judgement when allocating the transaction price to the performance obligation.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.3 Fees and commission income (Continued)

Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers.

7.3.1 The Group's fees and commission where performance obligations are satisfied over time.

Performance obligations satisfied over time includes, Loan commitment fees, Loan syndication fees, custody fees, interchange fees and other services, where the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs.

The Bank's fee and commission income from services where performance obligations are satisfied over time include the following:

Loan commitment fees: These are fixed annual fees paid by customers for loan and other credit facilities with the Bank. Commitment/ Facility fees received by the Group to originate loan at market interest rate are integral to the effective interest rate if it is probable that the Group will enter a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. Commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and amortised over the loan tenure.

As the benefit of the services is transferred to the customer evenly over the period of entitlement, the fees are recognised as revenue on a straight-line basis. Payment of the fees is due and received monthly in arrears. But, where it is unlikely that a specific lending arrangement will be entered into with the customer, the loan commitment is not measured at fair value. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss. Commitment fees, together with related direct costs, for loan facilities where draw down is probable are deferred and recognised as an adjustment to the effective interest on the loan once drawn. Commitment fees in relation to facilities where draw down is not probable are recognised over the term of the commitment.

Loan syndication fees: These are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

Custody fees: The Bank earns a fixed annual fee for providing its customers with custody services, which include the safekeeping of purchased securities and processing of any dividend income and interest payments. As the benefit to the customer of the services is transferred evenly over the service period, these fees are recognised as revenue evenly over the period, based on time elapsed. Payment of these fees is due and received quarterly in arrears.

Interchange fees: The Bank provides its customers with credit card processing services (i.e., authorisation and settlement of transactions executed with the Bank's credit cards) where it is entitled to an interchange fee for each transaction (i.e., when a credit cardholder purchases goods and services from merchants using the Bank's credit card). The fees vary based on the number of transactions processed and are structured as either a fixed rate per transaction processed or at a fixed percentage of the underlying cardholder transaction. Interchange and merchant fees are recognised upon settlement of the card transaction payment.

Other non-banking fee and commission income relates to fees and commissions earned for rendering services to customers other than those related to the banking operations. This includes fee and commission income earned from providing services on behalf of third-party service providers, in effect acting as an agent. Commissions and brokerage earned on the sale of insurance products to customers of the group on behalf of an insurer (Bank assurance services) are recognised at the point that the significant obligation has been fulfilled.

7.3.2 The Group's fees and commission where performance obligations are satisfied at a point in time.

Services provided where the Bank's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer, where the customer does not simultaneously receive and consumes the benefits of the Bank's performance as it performs the service. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria.

These include fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as Salary processing fees, Insurance Commission from Insurance brokerage services, Sale of cheque books, ATM withdrawal charges, statement charges, and other fees and commissions of that nature. The Bank has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

The Bank's fee and commission income from services where performance obligations are satisfied at a point include the following:

Transactional fees: Transactional fees are service charges on deposit accounts, cash management services and transactional processing fees such as fees income generated from credit and bank card usage. Fees earned on the execution of a significant act typically includes transactional fees. Transaction and processing fees are recognised at the point in time the transaction occurs, or service is performed. They include banking services such as Automated Teller Machine (ATM) fees, wire transfer fees, overdraft or late fees and foreign exchange fees, among others.

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.

7.3.3 Contract balances

Fees and commissions receivables are recognised in the statement of financial position under 'Other assets. The receivable is arising from revenue from contracts with customers which represent the Bank's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). These are measured at amortised cost and subject to the impairment provisions of IFRS 9. Revenue recognised from contract with customers are disaggregated based on nature and timing of revenue recognition.

Fees and commissions receivables are recognised in the statement of financial position under 'Other assets. The receivable is arising

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.3 Fees and commission income (continued)

7.3.3 Contract balances (continued)

from revenue from contracts with customers which represent the Bank's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). These are measured at amortised cost and subject to the impairment provisions of IFRS 9. Revenue recognised from contract with customers are disaggregated based on nature and timing of revenue recognition.

'Unearned fees and commissions' included under 'Other liabilities', which represent the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A liability for unearned fees and commissions is recognised when the payment is made, or the payment is due (whichever is earlier). Unearned fees and commissions are recognised as revenue when (or as) the Group performs.

7.4 Net trading income

Net trading income includes all gains/ (losses) from changes in fair value and the related interest income or expense and dividends, for financial assets and financial liabilities held for trading.

7.5 Net gains / (losses) on financial assets at fair value through profit or loss

Net gains/ (losses) on financial asset at FVTPL represents revenue from non-trading asset invested for the purpose of cashflow management. The financial asset is designated at FVTPL and measured at FVTPL as elected under IFRS 9. The line item represents fair value changes.

7.6 Net gains/(losses) on derecognition of financial assets measured at amortised cost or FVOCI

Net gain/(loss) on derecognition of financial assets measured at amortised cost includes income (or loss) recognised on sale or derecognition of financial assets measured at amortised costs calculated as the difference between the book value (including impairment) and the proceeds received. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and presented in the profit or loss statement within 'net gains/ (losses) on derecognition of financial assets measured at fair value through OCI'.

7.7 Financial instruments - initial recognition

7.7.1 Date of recognition

Financial assets and liabilities, except for loans and advances to customers and balances due to customers, are initially recognised on the date on which the Bank becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank.

7.7.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value (as defined in Note 7.7). Except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Receivables are measured at the transaction price.

Immediately after initial recognition, an expected credit loss allowance is recognised for newly originated financial assets measured at amortised cost or fair value through other comprehensive income debt instruments (refer to note 27 for further details).

7.7.3 Day 1 profit or Loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

7.7.4 Measurement categories of financial assets and liabilities

Classification and subsequent measurement of financial assets depends on;

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

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

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

Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within 'net gains/ (losses) on financial assets at fair value through profit or loss' in the period in which it arises. Financial assets designated in this class are not held for trading.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.7.4 Measurement categories of financial assets and liabilities (Continued)

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest and are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI).

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. Interest income from these financial assets is included in interest income' using the effective interest rate method.

The business model assessment is not performed on an instrument-by-instrument basis, but at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The main consideration in determining the different business models across the group is whether the objectives of the business model are met primarily through holding the financial assets to collect contractual cash flows, through the sale of these financial assets, by managing assets and liabilities on a fair value basis, or through a combination of these activities.

The Group classifies the financial instruments into classes that reflect the nature of information and consider 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	Due from 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
		Credit cards		
		Other assets (excluding non-financial assets)		
		Investment in Debt securities	Debt instruments	Treasury Bill and Bonds (SPPI)
			Private Bonds	Private Bonds
		Settlement and clearing accounts		
		Cash balances with central bank		
	Fair value through other comprehensive income (FVOCI)	Equity investments designated at FVOCI		
		Other treasury bonds held to collect contractual cash flows and sale		
	Fair value through Profit or Loss (FVPL)	Equity investments designated at FVPL		
		Financial asset designated at FVPL		
Financial assets Held for trading	Fair value through Profit or Loss (FVPL)	Debt Instruments		
Financial liabilities	Financial liabilities at amortised cost	Deposits from Banks		
		Borrowings, subordinated debts, and other liabilities		
		Deposits from customers	Retail customers	
			Corporate customers	
Off-balance sheet financial instruments	Loan commitments			
	Guarantees, acceptances and other financial liabilities			

7.8 Fair Value Measurement

The Group measures financial instruments such as equity investments and debt instruments at FVTPL and FVOCI investment securities at fair value at each reporting date. Fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.8 Fair Value Measurement (continued)

The principal or the most advantageous market must be accessible by the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 financial instruments: Those financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on market prices or dealer price quotations. This includes listed equity securities and debt instruments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

Level 2 financial instruments: Where the fair value of financial instruments is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, FX rates, volatilities, and counterparty spreads) existing at the balance sheet date.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at FVOCI. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model based on contractually agreed cash flows, considering credit quality, liquidity and costs. The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

Level 3 financial instruments: Those that include one or more unobservable input that is significant to the measurement as whole.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets at the reporting date without any deduction for transaction costs.

The Group's fair value methodology and the governance over its models includes several controls and other procedures to ensure appropriate measures are in place to ensure its quality and adequacy. All new product initiatives including their valuation methodologies are subject to approvals by various functions of the Group including Risk Department and Finance. The responsibility of ongoing measurement resides with Finance which reports to Chief Financial Officer.

The fair value estimates are being validated by:

- Benchmarking prices against observable market prices or other independent sources
- Evaluating and validating input parameters

Gains or losses on valuation of FVOCI are recognised in other comprehensive income.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

For fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Transfers between levels of the fair value hierarchy are recognized by the Group at the end of the reporting period during which the change occurred.

The fair value of financial instrument is generally measured on individual basis however when the bank manages a group of financial assets and liabilities on the basis of its net market or credit risk exposure (as defined in IFRS 7), the bank can opt to measure the fair value of that group on the basis of the net position (that is, the net position is the unit of account that is being measured at fair value, not the individual financial assets and liabilities).The underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the IFRS offsetting criteria.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.8 Fair Value Measurement (continued)

The Bank periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Bank's financial instruments such as credit risk, own credit and/or funding costs.

Therefore, the Bank applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, to reflect the credit risk of the individual counterparties for non-collateralized financial instruments.

The Bank estimates the value of its own credit from market observable data, such as secondary prices for its traded debt.

The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments, when necessary, based on the facts at the end of the reporting period

7.9 Financial assets and liabilities per financial statement line

7.9.1 Loan and advances to banks, Loans and advances to customers, Debt instruments measured at amortized cost, Credit cards, financial assets measured at FVPL, Equity instrument measure at FVPL, Equity instrument measured at FVOCI.

The Bank measures Loan and advances to banks, Loans and advances to customers, Debt instruments measured at amortized cost, Credit cards, financial assets measured at FVPL, Equity instrument measure at FVPL, Equity instrument measured at FVOCI only if both of the following conditions are met:

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

The details of these conditions are outlined below.

7.9.1.1 Business Model Assessment

The business model reflects how the Group manages the assets 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 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.

In considering whether the business objective of holding a group of financial assets is achieved primarily through collecting contractual cash flows, among other considerations, management monitors the frequency and significance of sales of financial assets out of these portfolios for purposes other than managing credit risk. For the purposes of performing the business model assessment, the group only considers a transaction a sale if the asset is derecognised for accounting purposes. For example, a repurchase transaction where a financial asset is sold with the commitment to buy back the asset at a fixed price at a future date is not considered a sale transaction because substantially all the risks and rewards relating to the ownership of the asset have not been transferred and the asset is not derecognised from an accounting perspective.

If sales of financial assets are infrequent, the significance of these sales is considered by comparing the carrying amount of assets sold during the period and cumulatively to the total carrying amount of assets held in the business model. If sales are either infrequent or insignificant, these sales will not impact the conclusion that the business model for holding financial assets is to collect contractual cash flows.

Determining whether sales are significant or frequent requires management to use its judgement. The significance and frequency of sales are assessed on a case-by-case basis at the business model level. The frequency is assessed on an annual basis and sales of assets that take place once or less per annum is infrequent. If sales take place more than once per annum it doesn't mean that the business models are not to collect contractual cash flows, but rather that the reasons for the sales need to be more carefully considered. Management will consider both the volume and number of sales relatives to the total assets in the business model to determine whether it is significant.

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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 as held for trading business model and measured at FVPL.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.9 Financial assets and liabilities per financial statement line (Continued)

7.9.1.2 The SPPI test

The Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test. Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement.

The 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

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

The SPPI test is applied on a portfolio basis for all loans and advances as the cash flow characteristics of these assets are standardized. Where the cash flow characteristics of an instrument is not standardized then the SPPI test will be performed at an individual instrument at initial recognition.

In the context of IBOR reform, the Group has assessed the transition of financial assets from IBOR to RFRs and concluded that the impact is not substantial. It is expected that most reforms affecting the Group will be completed by the end of 2022.Management has determined that, the asset's amended contractual cashflow continues to represent solely payments of interest and principal (SPPI), and the basis for determining the contractual cashflows is economically equivalent to the previous basis.

7.9.2 Financial assets or financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking.

Held for trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Included in this classification are debt securities and equities that have been acquired principally for the purpose of selling or repurchasing in the near term.

7.9.3 Debt instruments at FVOCI

The Group classifies debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortized cost.

The ECL calculation for debt instruments at FVOCI is explained in Note 7.12.3. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

7.9.4 Equity instruments at FVOCI

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

The Group's policy is to designate equity investments as FVOCI when those investments are held not for trading. Such classification is determined on an instrument-by instrument basis. Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

7.9.5 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that either have been designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met.

Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis, Or
- The liabilities are part of a group of financial liabilities, which are managed, and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.9.5 Financial assets and financial liabilities at fair value through profit or loss (continued)

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss except for movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are designated through OCI and do not get recycled to the profit or loss.

Interest earned or incurred on instruments designated at FVPL Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate.

Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

7.9.6 Financial guarantees, letters of credit and undrawn loan commitments

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements. The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

The Bank has elected not to apply IFRS 4 Insurance contracts as permitted for financial guaranteed contracts since the Bank has not explicitly asserted that it considers such contracts to be insurance contracts.

7.10 Reclassification of financial assets and liabilities

A change in business model only occurs on the rare occasion when the group changes the way in which it manages financial assets. Any change in business models would result in a reclassification of the relevant financial assets 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. Financial liabilities are never reclassified.

7.11 Modifications of financial assets and financial liabilities

7.11.1 Modification of financial assets

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. 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.

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired.

In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value plus any eligible transaction costs. To renegotiate or modify the contractual cash flows of loans to customers, the Bank assesses whether the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

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

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

Any costs or fees incurred, and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

7.11.2 Modification of Financial liabilities

The Group derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value.

The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.11.2 Modification of Financial liabilities (Continued)

A substantial modification of the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss

Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

7.12 Derecognition of financial assets and liabilities

7.12.1 Derecognition due to substantial modification of terms and conditions

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it become a new loan, with the difference recognise as a derecognition gains or losses to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as stage 1 for ECL measurement purposes unless the new loan is deemed to be POCI.

In the context of IBOR reforms, the Bank's assessment of whether a change to an amortized cost financial instrument is substantial, is made after applying the practical expedient introduced by IBOR reform phase 2. This requires the transitions from an IBOR to an RFR to be treated as a change to a floating interest rate as described in note 7.2.1.

7.12.2 Derecognition other than substantial modification of terms and conditions

7.12.2.1 Financial assets

A financial asset is derecognized when the rights to receive cash flows from the financial asset have expired. The Bank also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

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

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the original asset), but assumes a contractual obligation to pay those cash flows to one or more entities (the eventual recipients), when all the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset, or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

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

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

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

7.12.2.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.13 Forborne modified Loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided because of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy.

Indicators of financial difficulties include defaults on covenants, or significant concerns raised by Credit analysts. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

If modifications are substantial, the loan is derecognised, as explained in Note 7.12. Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original EIR as calculated before the modification of terms.

The Bank also reassesses whether there has been a significant increase in credit risk, as set out in note 10.3.2.5 and whether the assets should be classified as Stage 3. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

Once an asset has been classified as forborne, it will remain forborne for a minimum of 6-month for credit revolving facilities and 4 consecutive instalments for term loans as a probation period.

For the loan to be reclassified out of the forborne category, the customer must meet all of the following criteria:

- All of its facilities have to be considered performing
- The probation period of two years has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contracts that are more than 30 days past due Details of forborne assets are disclosed in Note 10.3.5.

Following the outbreak of Covid-19 at the beginning of 2020, the circumstances in which payment holidays and similar measures were normally granted changed significantly. Various payment deferral arrangements were initiated by borrowers, banks, and governments, which were not necessarily prompted by an assessment of the financial condition of the borrower.

Based on regulators' published guidance, large scale moratoria were generally not considered forbearance measures and did not rigger Stage 2 transfers in a stand-alone basis.

7.14 Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position except when IFRS netting criteria are met.

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

7.15 Impairment of financial assets

7.15.1 Overview of the ECL principles

The Group recognises loss allowances for ECLs on the following financial instruments that are not measured at FVPL:
- Due from banks;
- Loans and advances to customers;
- Debt instrument at FVOCI;
- Credit cards;
- Loan commitments issued;
- Financial guarantee and letter of credit; and
- Other assets (excluding non-financial assets).

Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12-month ECL) as outlined in Note 7.15.2. The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 10.3.2.5. Except for 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).

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.15. Impairment of financial assets (Continued)

7.15.1 Overview of the ECL principles (Continued)

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.

The Group apply low credit risk exemption for financial instruments with no significant increase in credit risk.

Both Lifetime CL and 12month ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in Note 10.2.3.6.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

For the purposes of determining ECL, all facilities whose contractual payments are more than 30 days due but less than or equal to 90 days due are grouped in stage 2 as they are taken to have experienced a significant increase in credit risk.

As part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as stage 3 for ECL calculations or whether stage 2 is appropriate. Based on the above process, the Bank groups its loans into Stage 1, Stage 2, and Stage 3 as described below:

- **Stage 1:** When loans are first recognized, the Bank recognizes an allowance based on 12-month ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

- **Stage 2:**: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the Lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from
- **Stage 3:** Loans considered credit-impaired (as outlined in Note 10.3.8) The Bank records an allowance for the Lifetime ECL. POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

7.15.2 Calculation of ECL

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

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

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD – The ***Probability of Default*** is an estimate of the likelihood of default over a given time horizon. It calibrated over up to 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating the impact of forward-looking economic assumptions that influence credit risk, such as interest rates, unemployment rates and GDP forecasts.

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

EAD – The ***Exposure at Default*** is an estimate of the exposure at a future default date, considering 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.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.15 Impairment of financial assets (continued)

7.15.2 Calculation of ECL (continued)

LGD – The ***Loss Given Default*** is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Bank expects to receive. The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

When estimating the ECL, the Bank considers three scenarios (a base case, an upside, and a downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Except for credit cards and other revolving facilities, for which the treatment is separately set out in Note 7.15.4, the maximum period for which the credit losses are determined is the contractual life of a financial instrument.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis. The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on an annual basis.

The mechanics of the ECL method are summarised below:

Stage 1: The 12-month ECL is calculated as the portion of Lifetime ECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the Lifetime ECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the Lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Group recognizes the Lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECL since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.

Loan commitments and letters of credit: When estimating Lifetime ECL for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECL is calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within other Liabilities

Financial guarantee contracts: the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor, or any other party. The ECL related to financial guarantee contracts are recognised within Provisions.

7.15.3 Debt instruments measured at fair value through OCI

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

7 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.15 Impairment of financial assets (continued)

7.15.4 Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities within a notice period. The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in usage. The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation considers that many facilities are repaid in full each month and are consequently not charged interest.

7.15.5 Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in Lifetime ECL since initial recognition in the loss allowance.

7.15.6 Forward-looking economic information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as, GDP growth, unemployment rates, inflation rates, lending rate, and money supply. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 10.3.3

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note 7.15.2 for an explanation of forward- looking information and its inclusion in ECL calculations.

There have changes in estimation techniques/ assumptions made during the reporting period. Details refer to Note 30.

Despite COVID-19 pandemic in respect of forward-looking information applied in ECL model there was insignificant changes, hence no significant adjustment with respect to economic assumptions applied and disclosed by the bank as at 31 December 2021.

7.15.7 Presentation of allowance for ECL in the statement of financial position

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

- ·financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- ·loan commitments and financial guarantee contracts: as a provision under other liabilities; and
- ·debt instruments measured at FVOCI: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the cumulative changes in fair value reserve.

7.15.8 Limitation of estimation techniques

The models applied by the Group may not always capture all characteristics of the market at a point in time as they cannot be recalibrated at the same pace as changes in market conditions. Interim adjustments are expected to be made until the base models are updated. Although the Group uses data that is as current as possible, models used to calculate ECLs are based on data that is up to date except for certain macro-economic factors for which the data is updated once it is available.

7.16 Credit enhancements: collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, and other non-financial assets. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL.

On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed upon issuing an additional loan or restructuring a loan. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers or based on housing price indices.

Guarantees held are included in the measurement of loan ECL when either they are specified in the contractual terms of the loan or else are integral to the loan, in that they formed part of the basis on which the loan was extended. Guarantees that are not integral to the loan's contractual terms are accounted as separate units of accounts subject to ECL.

As a consequence of the impact of COVID-19 on markets and financial instrument valuations there was insignificant impact on the value with respect to COVID-19 which were considered in the measurement of ECL.

7 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.17 Collateral repossessed

The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Group's policy.

In its normal course of business, the Group engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

7.18 Write-offs

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.

7.19 Cure of non-performing financial assets including modified loans

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

Under migration from stage 3 to stage 2, the Bank shall consider criteria for upgrade of credit accommodations as follows:

i. In the case of overdraft facilities, the account has satisfactorily performed for a minimum period of two consecutive quarters; and
ii. In the case of term loans, the obligor has timely paid four consecutive installments.

These periods have been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

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, or stage 3 to stage 2, interest income is calculated on gross carrying amount of the asset at the beginning of the period before allowance for ECLs using effective interest rate. The gross carrying amount of the exposure shall be the amortized cost at the end of the period less allowance for ECL computed.

7.20 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with Central bank, Investment securities and amounts Due from banks that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents include the cash reserve requirement held with Central bank.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

7.21 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR.

Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the EIR.

7 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.22 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.
The Bank leases office space in various parts of the region. Rental contracts are typically made for fixed periods of three to ten years but may have extension options as described in (v) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Bank is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period 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;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option; and
- ·Lease payments to be made under reasonably certain extension options are also included 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.
- adjusts specific to the lease, such as term, country, currency, and security

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

i. Extension and termination options - Extension and termination options are included in a number of property leases contracts. These terms are used to maximise operational flexibility in terms of managing contracts.

ii. Critical judgements in determining the lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For the leases of office space, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).

Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. Most extension options in offices and vehicles leases have not been included in the lease liability, because the Bank could replace the assets without significant cost or business disruption. 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.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.22 Leases (Continued)

a) Right-of-use asset

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 7.22 Impairment of non-financial assets.

b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments.

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

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets (i.e. those that have the value of TZS 2 million or below) recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low- value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative stand-alone selling prices.

When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for a major part of the economic life of the asset

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.

7.23 Property and equipment, motor vehicles, and mobile branches

Recognition and measurement

Upon initial recognition motor vehicles and/or mobile branches are recorded at cost which includes expenditure that is directly attributable to the acquisition of the items.

Subsequently, motor vehicles and/or mobile branches are stated in the statement of financial position at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The valuation is determined by independent valuers with reference to the market value of the motor vehicles and/or mobile branches. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from it carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation increase arising on the revaluation of such motor vehicles and/or mobile branches is recognized in other comprehensive income and cumulated in revaluation reserve in equity except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

A decrease in the carrying amount arising on the revaluation of such motor vehicles and/or mobile branches is recognized in profit or loss to the extent that it exceeds the balance, if any, held in revaluation reserve relating to a previous revaluation of that asset. Excess depreciation arising on the revaluation is amortized over the remaining useful life of the revalued assets through a transfer from revaluation reserve to retain earnings.

Land and buildings comprise mainly conventional branches and offices. All property and equipment except motor vehicles and mobile branches are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

7 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.23 Property and equipment, motor vehicles, and mobile branches (Continued)

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. When revalued assets are sold, the amounts included in revaluation surplus relating to those assets are transferred to retained earnings.

Depreciation

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:

Bank buildings	66 years
Computer equipment	5 years
Motor vehicles:	
Hardtop	10 years
Other Motor vehicles	7 years
Motorcycle	3 years
Office equipment	5 years
Furniture and fittings:	
Hardwood	10 years
Softwood	5 years
Smart card equipment	8 years
Mobile branch	10 years
Security equipment	5 years
Leasehold improvement (ATM and Branches):	
Leasehold for ATM	8 years
Leasehold for Branches	10years

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.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure 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.

7.24 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. The estimated useful lives of intangible assets are: 10 years for the Core Banking System and 5 years for other systems.

The amortization method, useful life and the residual value are reviewed at each reporting date and adjusted if appropriate. Changes in the expected useful life, residual value or amortization method are accounted for as changes in accounting estimates.

Acquired computer software licences are capitalised based on 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).

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

The Group has no intangible assets with indefinite useful lives.

7 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.25 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purposes of assessing impairment, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets (Cash Generating Units or CGUs). 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.

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

7.26 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses. The detailed exposures are provided in Note 44. The unwinding of the discount is recognised as finance cost.

7.27 Taxes

7.27.1 Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the Tanzania Regulatory Authority. Income tax expense is the aggregate of the charge to the profit or loss in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Tanzanian Income Tax Act.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the statement of profit or loss. Detailed disclosures are provided in Note 21.

7.27.2 Deferred tax

Deferred income tax is provided in full, using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss, it is not accounted for.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The most significant management assumption is the forecasts that are used to support the probability assessment that sufficient taxable profits will be generated by the entities in the group to utilise the deferred tax assets.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to the fair value remeasurement of debt instruments at fair value through OCI, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI.

These exceptions are subsequently reclassified from OCI to the income statement together with the respective deferred loss or gain. The Bank also recognises the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities .The deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

7 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.27 Taxes (continued)

7.27.3 Uncertain tax positions

The group recognises liabilities for uncertain tax positions in accordance with the criteria defined within IAS 12 and IFRIC 23, based on objective estimates of the amount of tax that may be due, which is calculated, where relevant, with reference to expert advice received. Where payment is determined to be possible but not probable, the tax exposure is disclosed as a contingent liability. The group recognises probable liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, the difference will impact the income tax and deferred income tax provisions in the period in which such determination is made.

7.27.4 Levies and similar charges

The Group recognises the liability arising from levies and similar charges such as City service levy paid quarterly to the local government authority, excise and stamp duty paid monthly to the Tanzania Revenue Authority (TRA). These charges are to be legally enforceable in the reporting period. A revision for levies is recognised when the condition that triggers the payment of the levy is met.

7.28 Equity instruments

Own equity instruments of the Group which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity. Consideration paid or received on the purchase, sale, issue, or cancellation of the Bank's own equity instruments is recognised directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue, or cancellation of own equity instruments.

7.29 Borrowing costs

The Group incurs borrowing costs in relation to the acquisition of borrowed funds. General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

7.30 Financial liabilities

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

7.31 Share capital and reserves

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.

The reserves recorded in equity (OCI) on the Bank's statement of financial position include:

(i) Fair value reserves which comprises:
- The cumulative net change in the fair value of debt instruments classified at FVOCI, less the allowance for ECL
- The cumulative net change in fair value of equity instruments at FVOCI

(ii) Foreign currency translation reserve, which is used to record exchange differences arising from the translation of the net investment in foreign operations.
(iii) Revaluation of gain on property and equipment.
(iv) Other capital reserve (further details are provided on note 50).

7.32 Earnings per share

The Group and Bank presents basic and diluted earnings per share (EPS) in their financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group and Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

7.33 Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established.
The presentation of dividend income in the consolidated statement of profit or loss depends on the classification and measurement of the equity investment, i.e.

- for equity instruments designated at FVOCI dividend income is presented in other income; and
- for equity instruments not designated at FVOCI and not held for trading, dividend income is presented as net income from other instruments at FVPL.

7.34 Dividend on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders at the Annual General Meeting. Payment of dividends is subjected to withholding tax at the enacted rate of 5%.

7 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.35 Legal and other claims

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation because 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 several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

7.36 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.

7.37 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount because of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as employee benefit expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group also contributes to the statutory defined contribution in the various countries in which it operates. The Group's contribution to these schemes is recognised in the profit or loss.

Gratuity

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.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

7.38 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Group's other components, whose operating results are regularly reviewed by the Group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's Management Team, which is chief operating decision maker. The Group's is divided into three business segments and two geographic segments. Details of the Group's segments are provided under Note 9.

8. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Bank's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

8. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

8.1 Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

a) The Bank's internal credit grading model, which assigns PDs to the individual grades.
b) The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment :- Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Whether a change in the risk of default is significant or not is assessed using several 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 have low credit risk.
c) Cure rate :- Cure rate is a percentage of credit exposure accounts which were in default category, but as at assessment date have moved to a better category. Cure rate shall be factored in at the LGD level when assessing recovery rate. The rate reduces the percentage of loss given default and is computed at the overall credit portfolio level. Consideration of movement of accounts is done annually.

d) 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.
e) The segmentation of financial assets when their ECL is assessed on a collective basis :- When ECLs are measured on a collective basis, the financial instruments are Grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required 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.
f) Development of ECL models, including the various formulas and the choice of inputs.
g) Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.
h) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models :- The evolving economic environment is a key determinant of the ability of a Bank's clients to meet their obligations as they fall due. It is a fundamental principle of IFRS 9 that the provisions banks hold against potential future credit risk losses should depend not just on the health of the economy today, but should also take account of changes to the economic environment in the future. To capture the effect of changes to the economic environment in the future, the computation of probability of default (PD), loss given default (LGD) and so expected credit loss incorporates forward-looking information; assumptions on the path of economic variables and asset prices that are likely to have an effect on the repayment ability of the Group's clients. Such variables include Inflation, GDP Growth, oil prices fluctuation, average electricity generation, natural gas, population, total household spending, total food sales, total public debt, Government spending in priority sector, unemployment rate, exchange rate movement.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary. Moreover, the Bank regularly review its models in the context of expected loss experience and adjust when necessary.

Since the beginning of the pandemic in 2020 the bank has experienced insignificant impact on ECL because of pandemic. In 2021, the Bank has incorporated all the relevant information calibrated in the model and applying management overlay. The below were among the factors which were taken into consideration:

- Changes to the economic outlook and the impact on macroeconomic scenarios and assumptions.
- Qualitative assessment in considering portfolio level credit risk analysis by accelerate provision to some customers on a case by case basis on the sectors affected by COVID-19 Pandemic.
- ·Extension of payment term on modified financial assets.
- ·The effect of government and other support programmes.
- ·Assessment on significant increase in credit risk in line with COVID-19.

8.2 Going Concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

8. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

8.3 Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. Changes in valuation assumptions could affect the reported fair value of the financial instruments. The impact on change in assumptions on the fair value is disclosed under Note 7.8.

8.4 Derecognition of financial instruments in the context of IBOR reform

The Bank derecognises financial assets and financial liabilities if there has been a substantial modification of their terms and conditions. In the context of IBOR reform, many financial instruments will be amended in the future as they transition from IBORs to RFRs. In addition to the interest rate of a financial instrument changing, there may be other changes made to the terms of the financial instrument at the time of transition.

For financial instruments measured at amortised cost, the Bank first applies the practical expedient as described below in Note 8.5, to reflect the change in the referenced interest rate from an IBOR to an RFR. Second, for any changes not covered by the practical expedient, the Bank apples judgement to assess whether the changes are substantial and if they are, the financial instrument derecognised and a new financial instrument recognised. If the changes are not substantial, the Bank adjust the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised EIR.

8.5 Effective Interest Rate (EIR) method

The Bank's EIR method, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

In making this assessment, the Bank considers the extent of any changes to the contractual cash flows because of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors. This estimation, by nature, requires an element of judgement regarding the expected behaviour and life cycle of the instruments, as well expected changes to Bank's base rate and other fee income/expense that are integral parts of the instrument.

IBOR reform Phase 2 requires, as a practical expedient that changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform are treated as a change to a floating rate of interest provided that the transition from IBOR to an RFR takes place on a basis that is 'economically equivalent'. To qualify as 'economically equivalent', the terms of the financial instrument must be the same before and after transition except for the changes required by IBOR reform. For changes that are not required by IBOR reform, the Bank applies judgement to determine whether they result in the financial instrument being derecognised as described in Note 8.4 above.

Therefore, as financial instruments transition from IBOR to RFRs, the Bank applies judgment to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the Bank considers the extent of any changes to the contractual cash flows because of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors. Examples of changes that are economically equivalent include changing the reference interest rate from an IBOR to an RFR, changing the reset period for days between coupons to align with the RFR.

8.6 Deferred tax assets

The recognition of a deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies. The judgments take into consideration the effect of both positive and negative evidence, including historical financial performance, projections of future taxable income, and future reversals of existing taxable temporary differences.

8.7 Provisions and other contingent liabilities

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings arising in the ordinary course of the Bank's business.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosers in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank considers several factors including legal advice, the stage of the matter and historical evidence from similar incidents.

8. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

8.8 Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee)

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.
After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

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 financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

8.9 Property, equipment and intangible assets

Critical estimates are made by those charged with governance in determining the useful lives of property, equipment and intangible assets as well as their residual values. The Group reviews the estimated useful lives of property, equipment and useful lives at the end of each reporting period. Applicable useful rates are provided under Note 7.23.

9. SEGMENT INFORMATION

In accordance with IFRS 8, the Group has the following business segments: Treasury, Retail Banking and Microfinance services and Corporate Banking.

Operating segments are reported in a manner consistent with the internal reporting. All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

The following segment information has been prepared in accordance with the "management approach" which requires presentation of segments based on the internal reports about components of the entity which are regularly reviewed by the executive committee who are the chief operating decision makers to allocate resources to segments and to assess their performance. The agreed allocation basis between segments was not changed during the year.

The following business segments represent the Group's organization structure as reflected in the internal management reporting system. For management purposes, the Group is divided into the following three segments:

i) Corporate Banking

Includes services and products to corporate and high net worth individuals including deposits, letters of credit, guarantee, lending and other products and dealing with financial institutions.

ii) Retail Banking and microfinance

Includes services and products to individuals and small and medium enterprises, including deposits and lending.

iii) Treasury

Includes treasury services, investment management services and asset management activities related to dealing, managing and custody of securities. This segment also includes all other cost centers and profit centers in the head office in areas of technology services and support and currency exchange.

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses and is measured consistently with operating profits or losses in the consolidated financial statements.

9. SEGMENT INFORMATION (CONTINUED)

9.1 Profit segments

An analysis of the Profit or Loss statement, total assets and liabilities are, as follows;

GROUP 31 December 2021	Corporate Banking	Retail Banking	Treasury	TZS'Million' Total
External Operating income				
Interest income Calculated using the Effective Interest Method	131,723	459,159	199,562	790,444
Interest expense Calculated using the Effective Interest Method	(42,691)	(68,211)	(31,337)	(142,239)
Other Interest and Similar expense	(559)	(1,759)	(13)	(2,331)
Internal net interest income/(expense)	2,418	7,089	(9,507)	-
Net interest income	90,892	396,278	158,705	645,875
Fee and Commission income	77,409	177,296	2,600	257,305
Fee and Commission expense	(15,649)	(35,599)	-	(51,248)
Net Fee and Commission income	61,760	141,697	2,600	206,057
Net foreign exchange income	-	-	37,768	37,768
Credit Loss expense on financial assets	(10,230)	(13,186)	161	(23,255)
Net gains/(losses) on derecognition of financial assets measured at fair value through OCI	-	1,447	-	1,447
Net gains/(losses) on financial assets at fair value through profit or loss	-	-	331	331
Net gains/(losses) on derecognition of financial assets measured at fair value through OCI	-	-	31,084	31,084
Other Operating income	-	1,408	-	1,408
Net Operating Income	142,422	527,644	230,649	900,715
General and Administrative Expense	(41,143)	(92,825)	(16,693)	(150,661)
Depreciation and amortisation	(13,117)	(41,503)	(11,900)	(66,520)
Employee benefit expenses	(40,874)	(198,426)	(54,488)	(293,788)
Impairment Other Assets	(583)	(1,784)	(13)	(2,380)
Total Operating Expenses	(95,717)	(334,538)	(83,094)	(513,349)
Profit Before Tax	46,705	193,106	147,555	387,366
Income Tax Expense	(14,374)	(59,424)	(45,407)	(119,205)
Profit for the year	32,331	133,682	102,148	268,161
Asset and Liability				
Segment assets	2,140,147	2,902,064	2,146,881	7,189,092
PPE Additions	22,065	29,920	22,071	73,906
Unallocated Asset				1,554,561
Total Assets	2,162,212	2,931,985	2,168,951	8,817,559
Segment liabilities	(2,050,561)	(4,443,783)	(913,065)	(7,407,409)
Unallocated liabilities				(190,822)
Total Liabilities	(2,050,561)	(4,443,783)	(913,065)	(7,598,231)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. SEGMENT INFORMATION (CONTINUED)

9.1 Profit segments (continued)

An analysis of the Profit or Loss statement, total assets and liabilities are, as follows;

GROUP				TZS'Million'
31 December 2020	**Corporate Banking**	**Retail Banking**	**Treasury**	**Total**
External Operating income				
Interest income Calculated using the Effective Interest Method	129,199	372,537	197,558	699,294
Interest expense Calculated using the Effective Interest Method	(37,031)	(51,478)	(27,796)	(116,305)
Other Interest and Similar expense	(583)	(1,912)	(14)	(2,509)
Add/ (less) inter-segment interest income	14,353	13,286	(27,639)	-
Net interest income	105,938	332,433	142,109	580,480
Impairment of financial assets	(30,774)	(45,110)	2,819	(73,065)
Net Interest income after loan	75,164	287,323	144,928	507,415
impairment charges				
Fee and Commission income	62,696	139,976	1,420	204,092
Fee and Commission expense	(10,554)	(25,879)	-	(36,433)
Net Fee and Commission income	52,142	114,097	1,420	167,659
Foreign exchange income	-	-	36,721	36,721
Net gains on derecognition of financial assets measured at FVPL	-	556	-	556
Net gain or (loss) on equity investments at fair value through profit or loss	-	-	(485)	(485)
Net gains on derecognition of financial assets measured at FVOCI	11,118	8,392	-	19,510
Other operating income	-	4,261	-	4,261
Net Operating Income	138,424	414,629	182,584	735,637
General and Administrative Expense	(35,354)	(82,393)	(14,926)	(132,673)
Impairment Other Assets	(3,559)	(11,376)	(86)	(15,021)
Depreciation and amortisation	(11,300)	(37,279)	(10,139)	(58,718)
Employee benefit expenses	(40,109)	(198,447)	(54,498)	(293,054)
Total Operating Expenses	(90,322)	(329,495)	(79,649)	(499,466)
Profit Before Tax	48,102	84,649	103,420	236,171
Income Tax Expense	(14,458)	(25,442)	(31,085)	(70,985)
Profit for the year	33,644	59,207	72,335	165,186
Asset and Liability				
Segment assets	1,480,023	2,449,917	1,859,889	5,789,829
PPE Additions	26,133	43,167	29,589	98,889
Unallocated Asset	-	-	-	1,281,754
Total Assets	1,506,156	2,493,084	1,889,478	7,170,472
Segment liabilities	(1,875,499)	(3,565,280)	(566,673)	(6,007,452)
Unallocated liabilities	-	-	-	(152,034)
Total Liabilities	(1,875,499)	(3,565,658)	(566,673)	(6,159,486)

9. SEGMENT INFORMATION (CONTINUED)

9.1 Profit segments (continued)

An analysis of the Profit or Loss statement, total assets and liabilities are, as follows;

BANK				TZS'Million'
31 December 2021	**Corporate Banking**	**Retail Banking**	**Treasury**	**Total**
External Operating income				
Interest income Calculated using the Effective Interest Method	131,725	445,418	181,897	759,040
Interest expense Calculated using the Effective Interest Method	(42,692)	(61,413)	(30,676)	(134,781)
Other Interest and Similar expense	(558)	(1,707)	(13)	(2,278)
Internal net interest income/(expense)	2,724	7,983	(10,707)	-
Net interest income	91,199	390,281	140,501	621,981
Fee and Commission income	77,202	173,258	2,600	253,060
Fee and Commission expense	(15,860)	(35,290)	-	(51,150)
Net Fee and Commission income	61,342	137,968	2,600	201,910
Net foreign exchange income	-	-	36,502	36,502
Credit Loss expense on financial assets	(10,921)	(12,673)	161	(23,433)
Net gains/(losses) on derecognition of financial assets measured at fair value through OCI	-	546	-	546
Net gains/(losses) on financial assets at fair value through profit or loss	-	-	331	331
Net gains/(losses) on derecognition of financial assets measured at fair value through OCI	-	-	31,084	31,084
Other Operating income	-	6,541	-	6,541
Net Operating Income	141,620	522,661	211,181	875,462
General and Administrative Expense	(41,019)	(86,451)	(16,653)	(144,123)
Depreciation and amortisation	(13,103)	(40,079)	(11,878)	(65,060)
Employee benefit expenses	(40,734)	(191,203)	(54,309)	(286,246)
Impairment Other Assets	(617)	(1,889)	(14)	(2,520)
Total Operating Expenses	(95,473)	(319,622)	(82,854)	(497,949)
Profit Before Tax	46,147	203,039	128,327	377,513
Income Tax Expense	(14,411)	(63,408)	(40,077)	(117,896)
Profit for the year	31,736	139,631	88,250	259,617
Asset and Liability				
Segment assets	2,093,614	2,811,678	1,889,869	6,795,161
PPE Additions	22,498	30,214	20,309	73,021
Unallocated Asset				1,545,617
Total Assets	2,116,112	2,841,892	1,910,177	8,413,799
Segment liabilities	(2,336,900)	(3,821,750)	(880,811)	(7,039,461)
Unallocated liabilities				(187,412)
Total Liabilities	(2,336,900)	(3,821,750)	(880,811)	(7,226,873)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. SEGMENT INFORMATION (CONTINUED)

9.1 Profit segments (continued)

An analysis of the Profit or Loss statement, total assets and liabilities are, as follows;

BANK				TZS'Million'
31 December 2020	**Corporate Banking**	**Retail Banking**	**Treasury**	**Total**
External Operating income				
Interest income Calculated using the Effective Interest Method	129,685	358,978	182,466	671,129
Interest expense Calculated using the Effective Interest Method	(37,031)	(46,192)	(25,849)	(109,072)
Other Interest and Similar expense	(583)	(1,863)	(15)	(2,461)
Add/ (less) inter-segment interest income	9,621	8,489	(18,110)	-
Net interest income	101,692	319,412	138,492	559,596
Impairment of Financial Assets	(30,880)	(44,689)	2,819	(72,750)
Net interest income after loan	70,812	274,723	141,311	486,846
impairment charges				
Fee and commission income	60,714	131,887	1,420	194,021
Fee and commission expense	(10,755)	(25,673)	-	(36,428)
Net fee and commission income	49,959	106,214	1,420	157,593
Foreign exchange income	-	-	34,444	34,444
Net gain or (loss) on equity investments at fair value through profit or loss			(485)	(485)
Net gains on derecognition of financial assets measured at FVOCI	11,118	8,392	-	19,510
Other operating income	-	6,931	-	6,931
Net Operating income	131,889	396,260	176,690	704,839
General and Administrative Expense	(35,176)	(77,182)	(14,861)	(127,219)
Impairment Other Assets	(3,559)	(11,376)	(86)	(15,021)
Depreciation and amortisation	(11,274)	(36,046)	(10,102)	(57,422)
Employee benefit expenses	(39,652)	(190,065)	(53,877)	(283,594)
Total Operating Expenses	(89,661)	(314,669)	(78,926)	(483,256)
Profit before tax	41,743	81,591	98,249	221,583
Income tax expense	(12,922)	(25,258)	(30,414)	(68,594)
Profit for the year	28,821	56,334	67,835	152,989
Asset and liability				
Segment assets	1,509,573	2,346,592	1,724,623	5,580,788
Assets additions	26,567	41,298	27,595	95,460
Unallocated assets	-	-	-	1,265,197
Total assets	1,536,140	2,387,890	1,752,218	6,941,445
Segment liabilities	(2,043,594)	(3,196,683)	(566,445)	(5,806,722)
Unallocated liabilities	-	-	-	(149,419)
Total liabilities	(2,043,594)	(3,199,571)	(567,035)	(5,956,141)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. SEGMENT INFORMATION (CONTINUED)

9.2 Geographical information

Geographically, the Group operates in the United Republic of Tanzania and in the Republic of Burundi. The financial performance and financial position of the Group by the geographic segments is as follows:

GROUP 31 December 2021	Tanzania	Burundi	Consolidation adjustment	Total TZS'Million'
External Operating income				
Interest income Calculated using the Effective Interest Method	759,040	38,280	(6,875)	790,445
Interest expense Calculated using the Effective Interest Method	(134,781)	(14,333)	6,875	(142,239)
Other Interest and Similar expense	(2,278)	(53)	-	(2,331)
Internal net interest income/(expense)	-	-		-
Net interest income	621,981	23,894	-	645,875
Fee and Commission income	253,859	3,446	-	257,305
Fee and Commission expense	(50,307)	(941)	-	(51,248)
Net Fee and Commission income	203,552	2,505	-	206,057
Net foreign exchange income	36,504	1,264	-	37,768
Credit Loss expense on financial assets	(23,433)	178		(23,255)
Net gains/(losses) on derecognition of financial assets measured at fair value through OCI	1,447	-		1,447
Net gains/(losses) on financial assets at fair value through profit or loss	331	-		331
Net gains/(losses) on derecognition of financial assets measured at fair value through OCI	31,084	-		31,084
Other Operating income	2,519	-	(1,111)	1,408
Net Operating Income	873,985	27,841	(1,111)	900,715
General and Administrative Expense	(144,577)	(6,084)		(150,661)
Depreciation and amortisation	(65,140)	(1,380)		(66,520)
Employee benefit expenses	(287,199)	(6,589)		(293,788)
Impairment Other Assets	(2,380)	-		(2,380)
Total Operating Expenses	(499,296)	(14,053)	-	(513,349)
				-
Profit Before Tax	374,689	13,788	(1,111)	387,366
Income Tax Expense	(118,598)	(949)	342	(119,205)
Profit for the year	256,091	12,839	(769)	268,161
Asset and Liability				
Segment assets	8,356,235	599,596	(138,272)	8,743,654
PPE Additions	73,021	884		73,905
Unallocated Asset				
Total Assets	8,429,256	600,480	(138,272)	8,817,559
Segment liabilities	(7,227,235)	(487,586)	116,590	(7,598,231)
Unallocated liabilities				
Total Liabilities	(7,227,235)	(487,586)	116,590	(7,598,231)

9. SEGMENT INFORMATION (CONTINUED)

9.2 Geographical information (continued)

GROUP				TZS'Million'
31 December 2020	**Tanzania**	**Burundi**	**Consolidation**	**Total**
External operating income				
Interest income Calculated using the Effective Interest Method	671,129	33,983	(5,818)	699,294
Interest expense Calculated using the Effective Interest Method	(109,072)	(13,051)	5,818	(116,305)
Other Interest and Similar expense	(2,461)	(48)	-	(2,509)
Net interest income	559,596	20,884	-	580,480
Impairment of financial assets	(72,750)	(315)		(73,065)
Net interest income after loan	486,846	20,569	-	507,415
Impairment charges				
Fee and commission income	204,808	2,161	(2,877)	204,092
Fee and commission expense	(35,629)	(804)	-	(36,433)
Net fee and commission income	169,179	1,357	(2,877)	167,659
Foreign exchange income	34,444	2,277		36,721
Net gains on derecognition of financial assets measured at FVPL	556	-	-	556
Net gain or (loss) on equity investments at fair value through profit or loss	(485)		-	(485)
Net gains on derecognition of financial assets measured at FVOCI	19,510	-	-	19,510
Other operating income	4,261	-	-	4,261
	711,434	24,203	-	735,637
General and administrative expense	(127,888)	(4,785)	-	(132,673)
Impairment Other Assets	(15,021)	-	-	(15,021)
Depreciation and amortisation	(57,569)	(1,149)	-	(58,718)
Employee benefit expenses	(286,853)	(6,201)	-	(293,054)
	(487,331)	(12,135)	-	(499,466)
Profit before tax	226,980	12,068	(2,877)	236,171
Income tax expense	(71,015)	(834)	864	(70,985)
Profit for the year	155,965	11,234	(2,013)	165,186
Asset and liability				
Segment assets	5,568,841	351,844	(130,856)	5,789,829
Assets additions	97,391	1,498	-	98,889
Unallocated assets	-	-	-	1,281,754
Total assets	5,666,232	353,342	(130,856)	7,170,472
Segment liabilities	(5,957,020)	(311,640)	109,174	(6,159,486)
Total liabilities	(5,957,020)	(311,640)	109,174	(6,159,486)

9. SEGMENT INFORMATION (CONTINUED)

9.2 Geographical information (continued)

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

			In TZS' Million
Year ended 31 December 2021	**Tanzania**	**Burundi**	**Total**
Net cash from operating activities	**585,299**	**7,563**	**593,635**
Net cash used in investing activities	**(71,205)**	**(1,674)**	**(73,652)**
Net cash used in financing activities	**(190,213)**	**30,912**	**(159,301)**
Net increase in cash and cash equivalents	**323,881**	**36,801**	**360,682**
Cash and cash equivalents at 1 January	**758,269**	**26,588**	**784,857**
Effect of exchange rate change in cash and cash equivalent	**6,124**	**229**	**6,353**
Cash and cash equivalent at 31 December	**1,088,274**	**63,618**	**1,151,892**

Year ended 31 December 2020	Tanzania	Burundi	Total
Net cash from operating activities	293,520	(8,933)	284,587
Net cash used in investing activities	(100,422)	(3,799)	(104,221)
Net cash used in financing activities	(176,059)	43,124	(132,935)
Net increase in cash and cash equivalents	17,039	30,392	47,431
Cash and cash equivalents at 1 January	750,034	(2,936)	747,098
Effect of exchange rate change in cash and cash equivalent	(9,721)	49	(9,672)
Cash and cash equivalent at 31 December	757,352	27,505	784,857

In computing the above segment information;

- Interest Income, Interest Expense and Loan Impairment charges segmentation computation has been changed from systematic allocation basis using agreed internal allocation basis to specific identification from individual segment;
- Expenses have been specifically identified with individual segment or using agreed internal allocation. Retail (branch) overhead cost has been transferred to Corporate and Treasury due to Retail segment support to corporate and treasury business through branch network whose costs are assumed to be shared at 5 and 10 percent of retail (Administrative and staff overhead) between treasury and corporate segment respectively.
- Assets and liabilities have been either specifically identified with individual segment or allocated to segment on a systematic basis using an agreed internal allocation basis. Cash, Bank Balances, Debt instruments and Due from banks have been allocated to Treasury; Loans and advances and Deposits have been allocated to Corporate and Retail Segments.
- Unallocated assets includes, Sundry debtors, bills receivables, Bank card stock, advance payment for capital expenditures, prepayments, receivables from mobile phone companies, tax related accounts and due from related party. Unallocated liabilities includes; bills payables, dividends payable, accrued expenses, deferred income, sundry creditors, credit outstanding, unclaimed customers balances and due to related party.
- Inter-segment transactions have been generally based on transfer pricing measures as determined by the Management.

There were no revenues from transactions with a single external customer that amounted to 10% or more of the Group's revenues in 2021 or 2020.

Currently it is not possible to segregate revenues from external customers for each product and service as the information is not available and the cost to develop will be excessive.

There were no any changes from prior periods in the measurement methods used to determine the reported segment profit or loss.

10. RISK MANAGEMENT

10.1 Introduction and risk profile

CRDB Group is based in Tanzania and has operations in Burundi as well. Whilst risk is inherent in the Group's activities, it is managed through an integrated risk management framework, including ongoing identification, measurement, and monitoring, and subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each employee in the Group is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk.

10.1.1 Risk management structure

The board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The board has appointed members of the Risk Committee, which is responsible for monitoring the overall risk process within the Bank. The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies, and limits. The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the board.

10.1.2 Risk mitigation and risk culture

As part of its overall risk management, the Group monitors current and forecasted economic variables such as economic growth, inflation, foreign exchange trends, interest rates, loan book performance and determines their impact on its strategies. To remain effective, the Group sets limits to monitor risk exposures to different economic sectors and/or risk areas which are continuously monitored to ensure that appropriate actions are taken timely to address them. We promote a strong risk culture where employees at all levels are responsible for the management and escalation of risks and are empowered and encouraged to act as risk managers. We expect employees to exhibit behaviours that support a strong risk culture in line with our Code of Conduct. This expectation continues to be reinforced through communications campaigns and mandatory training courses for employees. In addition, our board members and senior management frequently communicate the importance of a strong risk culture to support a consistent tone from the top.

10.1.3 Risk measurement and reporting systems

The Group's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise if extreme events which are unlikely to occur do, in fact, occur. Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept.

Risk reports are submitted regularly to senior management committees and the board to keep them apprised of the Group's risk profile. A Group Risk Profile report which is produced monthly covers all the significant risks inputs for each risk type that is tabled to the board Risk Committee for review and auctioning on a quarterly basis. Similarly, there is a process to report and monitor intercompany risk exposures through the Group ALCO.

It is the Bank's policy to ensure that a robust risk awareness is embedded in its organizational risk culture. Employees are expected to take ownership and be accountable for the risks the Bank is exposed to that they decide to take on. The Bank's continuous training and development emphasizes that employees are made aware of the Bank's risk appetite, and they are supported in their roles and responsibilities to monitor and keep their exposure to risk within the Bank's risk appetite limits. Compliance breaches and internal audit findings are important elements of employees' annual ratings and remuneration reviews.

10.2 Risk governance and risk management strategies and systems

Our risk governance frameworks, policies and appetite provide the principles and guidance for the Group's risk management activities. They guide our key decisions for capital management, strategic planning and budgeting and performance management to ensure that the risk dimension is appropriately and sufficiently considered.

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. As part of its governance structure, the board of directors has embedded a comprehensive risk management framework for identifying, measuring, controlling (setting risk mitigations) and monitoring of the Group's risks.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees/stakeholders understand their roles and obligations. The board's Credit Committee, Governance, Human Resource, Risk Management Committee, and Audit Committee are responsible for monitoring compliance with the Group's risk management policies and procedures, and review of the adequacy of risk management framework in relation to the risks faced by the Group. These committees are assisted in these functions by various management committees which undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the board.

The Group's Risk Management Framework is implemented through a 'three lines of defence' model which defines clear responsibilities and accountabilities and ensures effective independent oversight and assurance activities take place covering key decisions.

***First Line of Defence – The Risk Owner*:** The business and support units have primary responsibility for implementing and executing effective controls to manage the risks arising from their business activities. This includes establishing adequate managerial and supervisory controls to ensure compliance with risk policies, appetite, limits and controls and to highlight control breakdowns, inadequacy of processes and unexpected risk events.

***Second Line of Defence – Risk Oversight*:** The Risk and Compliance department, which is a centralized function, headed by the Director of Risk and Compliance, provide the Second Line of Defence. It supports the Group's strategy of balancing growth with stability by establishing risk frameworks, policies, appetite and limits within which the business functions must operate. They are also responsible for the independent review and monitoring of the Group's risk profile and for highlighting any significant vulnerabilities and risk issues to the respective senior management committees. The independence of risk and control oversight functions from business functions ensures that the necessary checks and balances are in place.

10. RISK MANAGEMENT (CONTINUED)

10.2 Risk governance and risk management strategies and systems (continued)

***Third Line of Defence – Independent Audit*:** The Group's internal auditors conduct risk-based audits covering all aspects of the First and Second Lines of Defence to provide independent assurance to the Audit Committee (AC) and the board, on the effectiveness of the risk management and control structure, policies, frameworks, systems and processes.

The major risks to which the Group is exposed, including non-financial risks are credit risk, operational risk, compliance risk, reputation risk, business risk, strategic risk, market risk, liquidity risk and capital risk.

A combination of these risks occurring concurrently would be the most likely cause of significant loss. The Group's approach to managing risk on a holistic basis therefore ensures that risks are not managed in isolation.

Combined assurance

The Group has implemented a combined assurance framework, which require coordinated control activities across the three lines of defense for an effective control oversight. This has maximized oversight, minimized duplication of efforts and optimized overall assurance provided to executive and board of directors about the overall control environment of the Group.

10.2.1 Excessive risk concentration

Concentrations arise when several counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. To avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. We perform regular assessments of emerging risks and in-depth reviews on industry trends to provide a forward-looking view on developments that could impact the Group's portfolio.

10.3 Credit risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. There is also credit risk in the off-balance sheet financial instruments, such as loan commitments, letters of credit and guarantees. The credit risk management and control are centralised under the credit risk management team of the Bank and reported to the board of directors and management regularly.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established using a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Group to assess the potential loss because of the risks to which it is exposed and take corrective actions.

10.3.1 Credit-related commitments risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings on behalf of a customer authorising a third party to draw drafts on a Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group and Bank are potentially exposed to loss in amounts equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group and Bank monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

10.3.2 Impairment assessment

10.3.2.1 Definition of default and credit-impaired assets

IFRS 9 does not define default but requires the definition to be consistent with the definition used for internal credit risk management purposes. The Group considers a financial asset as 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.2 Impairment assessment (Continued)

10.3.2.1 Definition of default and credit-impaired assets (Continued)

Loans and advances to customers, credit cards, loan commitments and financial guarantees

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

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

- the borrower is in long-term forbearance
- the borrower is deceased
- the borrower is insolvent
- the borrower is in breach of financial covenant(s)
- an active market for that financial asset has disappeared because of financial difficulties
- concessions have been made by the lender relating to the borrower's financial difficulty
- it is becoming probable that the borrower will enter Bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses
- payment deferral
- extension of payment period

Due from banks and Cash and Balances with Central Bank

For Due from banks, below are considered as default when they occur

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

Debt instruments

For Debt instruments, below are considered as default when they occur;

Quantitative and qualitative criteria;

- When repayment of interest and principal are not done on time as per contractual schedules to the extent of 30 days delay.
- When repayments of interest and principal are not done on time as per contractual schedules and that such delays considered are not those caused by operational issues
- When the government is downgraded to below rating "C" status by international rating agency such as Moody's, S & P, or Fitch
- When the Government is declared default/bankrupt by responsible agencies i.e. World Bank, IMF etc.

It may not be possible to identify a single discrete event, instead, the combined effect of several events may have caused financial assets to become credit impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when the customer has met certain criteria. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Other financial assets

For other financial assets, below are considered as default when they occur;

Quantitative and qualitative criteria;

- The Group considers other financial assets in default when contractual payments are over 90 days past due.
- The Group may also consider other financial assets to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Group.

10.3.2.2 Group's internal ratings scale and PD estimation process

Loans and advances to customers, credit cards, loan commitments and financial guarantees

The Group and Bank has its internal credit rating tools tailored in accordance with the Bank of Tanzania (BOT) guidelines that reflect its assessment of the probability of default of individual counterparties. Customers 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.

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.2 Impairment assessment (continued)

10.3.2.2 Group's internal ratings scale and PD estimation process (Continued)

Group rating	Description of the grade	Stage	PD Range		Number of days past due
1	Current	Stage 1	0.09%	4.68%	0
2	Current	Stage 1	0.57%	13.40%	1-30
3	Especially mentioned 1	Stage 2	2.02%	20.00%	31-60
4	Especially mentioned 2	Stage 2	3.65%	26.37%	61-90
5	Substandard, Doubtful, Loss	Stage 3	100%	100%	91 and above

The PDs obtained as above are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information. This is repeated for each economic scenario as appropriate.

Due from banks, nostro balances and debt instruments

For internal monitoring, Due from banks, nostro balances and debt instruments are rated into three categories/staging 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 High risk and dealing limits are cancelled.

Group's rating	Score	PD range	Staging
Defaulted	3 - 5	100%	Stage 3
High	2.51 - 3	22.8%-100%	Stage 2
Medium	1.51 – 2.5	0.5%-22.8%	Stage 1
Low	1 - 1.51	0.0%-0.5%	Stage 1

The Due from banks, nostro balances and debt instruments as at 31 December 2021, are all low risk.

Other financial assets (receivables)

The internal ratings of other financial assets are 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 High risk and dealing limits are cancelled.

Group's rating	Score	Loss rate	Staging
Current	0-30days	0.0%-0.03%	Stage 1
Especially mentioned 1	31-60days	0.04%-11.8%	Stage 2
Especially mentioned 2	61-90	11.9%-17.8%	Stage 2
Substandard and Doubtful	91-180	17.9%-20%	Stage 3
Loss	181 Or more	100%	Stage 3

Off balance sheet facilities

The internal PD ratings for off-balance sheet facilities are same as for on balance sheet facilities.

10.3.2.3 Exposure at Default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12-month ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are considered. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

10.3.2.4 Loss given default

The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates consider the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held. The Bank segments its loans into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics. Further recent data and forward-looking economic scenarios are used to determine the IFRS 9 LGD rate for each group of financial instruments.

RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.2 Impairment assessment (continued)

10.3.2.4 Loss given default (continued)

The Bank estimates regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

10.3.2.5 Significant increase in credit risk

The Group continuously monitors all assets subject to ECL. To determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or Lifetime ECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime PD as at the reporting date, with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure

The Bank uses two criteria for determining whether there has been a significant increase in credit risk:

- A quantitative test based on movement in PD
- Qualitative indicators

The Bank considers debt instrument assets, credit cards, loan commitments and financial guarantee contracts to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

Loans and advances to customers, credit cards, loan commitments and financial guarantees

i) *Quantitative criteria*

Based on quantitative review for the purpose of the expected credit losses calculations, loans and advances, loan commitments and financial guarantees shall be classified as follows;

1. **0 – 30 days to be classified as Stage 1;** Loans and advances, loan commitments and financial guarantees which are performing according to contracted terms and conditions with low credit risk at the reporting date with 12-month expected credit losses being recognised.

2. **31 – 90 days to be classified as Stage 2**; Loans and advances, loan commitments and financial guarantees which have had significant increase in credit risk since initial recognition but do not have objective evidence of credit loss event with lifetime expected credit losses being recognized.

3. **91 days or more to be classified as Stage 3**; Loans and advances, loan commitments and financial guarantees which have objective evidence of impairment at the reporting date with lifetime expected credit losses being recognized (credit-impaired assets).

ii) *Qualitative criteria*

For Personal Loans if the borrower meets one or more of the following criteria:

- Short-term forbearance or restructuring.
- Adverse changes of external data from credit references agencies.

For Corporate and SME portfolios, if the borrower is on the Watch list and/or the instrument meets one or more of the following criteria:

- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates.
- Actual or expected forbearance or restructuring.
- ·Actual or expected significant adverse change in operating results of the borrower.· Significant change in collateral value which is expected to increase risk of default.
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans.
- Adverse changes of eexternal data from credit references agencies
- Significant adversely changes in political, regulatory and technological environment of the borrowers or in its business activities.

The Group monitors all financial assets that are subject to assess whether there has been a significant increase in credit risk since initial recognition. When there is a significant increase in credit risk (SICR) since initial recognition is identified, a financial asset is moved from stage 1 to 'Stage 2' but is not yet deemed to be credit impaired. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.2 Impairment assessment (continued)

10.3.2.5 Significant increase in credit risk (continued)

The table below summarises the 'three-stage' model for impairment based on changes in credit quality since initial recognition

	Stage 1 (performing loans)	Stage 2 (under performing loans)	Stage 3 (non-performing loans)
Credit risk	Financial instruments with low credit risk at the reporting date or which have not had SICR	Financial instruments which have had a significant increase in credit risk since initial recognition but do not have objective evidence of a credit loss event.	Financial assets that have objective evidence of impairment at the reporting date
Recognition of expected credit losses	12 Month expected credit losses are recognized.	Lifetime expected credit losses are recognised.	Lifetime expected credit losses are recognized.
Recognition of interest	Interest revenue is calculated on the gross carrying amount of the asset.	Interest revenue is calculated on the gross carrying amount of the asset.	Interest revenue is calculated based on the amortized cost net of the loss provision, (net carrying amount).

Due from banks and Cash and Balances with Central Bank

Below are quantitative and qualitative factors considered as indicators of significant increase in credit risk;
- The counterparty is more than 15 days past due on its contractual payments.
- 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.

Debt instruments

Below are quantitative and qualitative factors considered as indicators of significant increase in credit risk
- The counterparty is more than 15 days past due on its contractual payments.
- The Government has received a low credit rating i.e. "C" by the international rating agencies; and
- ·The Government has initiated debt restructuring process.

10.3.2.6 Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed into segments and sub-segments to account for the differences in risk between segments and sub segments into smaller homogeneous portfolio based on combination of internal and external characteristics of the loan and based on shared risk characteristics, such that risk exposures within a Group are homogeneous.

Furthermore, the sectoral sub-segments are consolidated into segments as per the nature of the activity and similarity in characteristics to arrive at a homogeneous pool. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk team.

The default definition has been applied consistently for all the segments to model the probability of default (PD), exposure at default (EAD) and loss given default (LGD) throughout the Group's expected loss calculations.

10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's economics team on a quarterly basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g., For unemployment) or a long run average growth rate (e.g., GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (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-linearity's 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-linearity's and asymmetries within the Group's different portfolio to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

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

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 7.11.2 provides more detail of how the expected credit loss allowance is measured.

The following table shows a representative summary of the economic variables and asset prices that the Group considers to be among the most important determinants of the Group's expected credit loss.

Macroeconomic variable	Average	Maximum	Minimum
GDP Real Rate %	2.68	3.81	(0.95)
Inflation Rate %	4.09	5.30	3.30
Lending Rate %	9.75	11.60	7.20
Utilities Gross Value Added %	1.10	12.53	(23.84)
Total Domestic Demand %	102.98	106.85	101.50

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (continued)

The most significant period-end assumptions used for the ECL estimate are set out below.

31 December 2021	Assigned weight	2021	2022	2023	2024	2025
	%	%	%	%	%	%
GDP Real Rate*						
Base Case	68.20%	2.17	3.18	2.74	2.77	2.56
Upside	10.60%	4.26	5.14	4.70	4.73	4.52
Downside	21.20%	0.08	1.09	0.65	0.68	0.47
Inflation Rate**						
Base Case	68.20%	3.80	5.50	5.50	5.50	5.50
Upside	10.60%	2.79	4.49	4.49	4.49	4.49
Downside	21.20%	4.81	6.51	6.51	6.51	6.51
Lending Rate**						
Base Case	68.20%	6.80	8.75	10.00	10.00	10.00
Upside	10.60%	5.09	7.04	8.29	8.29	8.29
Downside	21.20%	8.51	10.46	11.71	11.71	11.71
Utilities Gross Value Added**						
Base Case	68.20%	7.33	9.49	10.42	10.43	10.54
Upside	10.60%	20.72	24.65	25.58	25.59	25.70
Downside	21.20%	-6.06	-3.90	-2.97	-2.96	-2.85
Total Domestic Demand**						
Base Case	68.20%	101.50	102.18	102.61	102.47	102.27
Upside	10.60%	103.79	104.22	104.66	104.52	104.32
Downside	21.20%	99.21	99.89	100.32	100.18	99.98

* GDP Growth are expressed as an annual percentage change

** These rates are expressed as a percentage as at the end of the forecast year.

The bank updated the most significant assumptions to include utilities Gross value added and Total domestic demand to align with the changes in market conditions.

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (continued)

31 December 2020	Assigned weightage	2020	2021	2022	2023	2024
	%	%	%	%	%	%
GDP Growth Rate*						
Base Case	50	5.1	5.5	5.3	5.4	5.4
Upside	25	5.6	5.8	5.7	5.7	5.7
Downside	25	4.9	5.2	5.0	5.1	5.1
Inflation Rate**						
Base Case	50	4.9	5.3	5.5	5.4	5.4
Upside	25	5.2	5.6	5.8	5.7	5.7
Downside	25	4.7	5.0	5.2	5.1	5.1
Lending Rate**						
Base Case	50	15.5	15.5	15.5	15.5	15.5
Upside	25	16.3	16.3	16.3	16.3	16.3
Downside	25	14.7	14.7	14.7	14.7	14.7
Money supply**						
Base Case	50	11.8	11.6	11.0	11.6	11.6
Upside	25	12.4	12.2	11.6	12.2	12.2
Downside	25	11.2	11.0	10.5	11.0	11.0
Unemployment**						
Base Case	50	11.8	11.6	11.0	11.6	11.6
Upside	25	12.4	12.2	11.6	12.2	12.2
Downside	25	11.2	11.0	10.5	11.0	11.0

* GDP Growth are expressed as an annual percentage change
** These rates are expressed as a percentage as at the end of the forecast year.

The weightings assigned to each economic scenario during the year was 68.2%,10.6% and 21.2% for “base”, “upside” and “downside” respectively. The weightings have been changed from 2020 due to current assessment of the outlook on the market conditions.

Migration from stage 3 to stage 2, the bank considers criterial for upgrade of credit accommodation as follows;

- in the case of overdraft facilities, the accounts has satisfactorily performed for minimum period of two consecutive quarters; and
- in the case of term loans, the obligor has timely paid four consecutive instalments.

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 be used in determining whether an exposure should shift backward from stage 2 to stage 1;

- Up to date with payments, that is, all outstanding payments on the credit facility are made on time and no payments are in arrears; and
- Improvement of the quantitative factors that caused significant increase of the credit risk.

Upgrade from stage 2 to stage 1 is being 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.

COVID-19 pandemic had no significant impact on assumptions applied under multiple economic scenarios, hence no significant adjustment as at 31 December 2021 in relation to COVID 19 pandemic. The Bank has performed sensitivity analysis of the macro-economic variables to the expected credit loss and disclosed only the Lending rate which is the most sensitive to the bank’s performance.

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (continued)

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

				In TZS' Million
GROUP	**2021**		**2020**	
Sensitivity Analysis	**Expected loss allowance**			
	Higher end	**Lower end**	**Higher end**	**Lower end**
31 December				
Corporate	**89,801**	**76,279**	68,162	68,564
SME	**10,327**	**8,791**	12,872	12,948
Microfinance	**469**	**402**	483	486
Mortgage	**814**	**691**	886	891
Personal loans	**44,006**	**37,374**	65,054	65,438
Off-balance sheet exposures	**1,325**	**1,126**	174	175
Total expected loss allowance	**146,742**	**124,663**	147,631	148,502

				In TZS' Million
BANK	**2021**		**2020**	
Sensitivity Analysis	**Expected loss allowance**			
	Higher end	**Lower end**	**Higher end**	**Lower end**
31 December				
Corporate	**89,718**	**76,197**	67,808	68,208
SME	**10,188**	**8,653**	12,871	12,947
Microfinance	**442**	**375**	473	476
Mortgage	**814**	**691**	886	891
Personal loans	**44,000**	**37,369**	65,050	65,434
Off-balance sheet exposures	**1,324**	**1,125**	173	174
Total expected loss allowance	**146,486**	**124,410**	147,261	148,130

Analysis of inputs to the ECL model under multiple economic scenarios relating to loan and advances (which include credit cards under personal segment) and off-balance sheet.

Under current and forecasted economic conditions, cash and balances with central bank, other assets, debt instruments and due from banks are not expected to be materially sensitive to changes in macroeconomic assumptions and therefore have not been included in this sensitivity analysis. Instead, ECL for these instruments is more sensitive to obligor-specific factors and recovery strategies that are independent of macroeconomic factors

(a) ECL for each scenario based on the probability allocation

GROUP							**In TZS' million**
31 December 2021	**Corporate**	**SME**	**Micro finance**	**Mortgage**	**Personal**	**Off-balance sheet**	**Total**
Gross exposure	**2,140,147**	**561,070**	**56,945**	**113,214**	**2,303,886**	**2,460,643**	**7,635,905**
Upside (10.6%)	**8,753**	**993**	**36**	**79**	**4,432**	**129**	**14,422**
Base (68.2%)	**56,264**	**6,391**	**287**	**511**	**28,389**	**831**	**92,673**
Downside (21.2%)	**17,496**	**1,986**	**83**	**159**	**8,864**	**258**	**28,846**
	82,513	**9,370**	**406**	**749**	**41,685**	**1,218**	**135,941**
Effect of multiple economic scenario	**145**	**31**	**10**	**-**	**16**	**31**	**233**

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.3 Analysis of inputs to the ECL model under multiple economic scenario (continued)

GROUP 31 December 2020	Corporate	SME	Micro finance	Mortgage	Personal	Off-balance sheet	Total (In TZS' million)
Gross exposure	2,091,770	557,213	103,433	56,945	2,228,810	2,460,381	7,498,552
Upside (10.6%)	8,501	1,614	59	109	8,155	20	18,458
Base (68.2%)	25,503	4,841	178	328	24,466	85	55,401
Downside (21.2%)	33,998	6,454	237	441	32,619	87	73,836
	68,002	12,909	474	878	65,240	192	147,695
Effect of multiple economic scenario	16,996	3,227	118	222	16,308	22	36,893

(b) ECL under each case assuming 100% weight for each probability scenario

GROUP 31 December 2021	Corporate	SME	Micro finance	Mortgage	Personal	Off-balance sheet	Total (In TZS' million)
Upside	81,270	9,109	426	718	34,901	981	127,405
Base	82,327	9,340	437	749	41,798	1,187	135,838
Downside	83,537	9,599	449	777	48,675	1,436	144,473
Proportion of assets in stage 2							
Upside	5.02%	16.69%	0.84%	30.01%	16.70%	2.53%	6.49%
Base	5.74%	18.74%	1.03%	30.85%	15.64%	2.32%	6.87%
Downside	6.50%	20.70%	1.23%	31.79%	14.80%	2.10%	2.10%

(b) ECL under each case assuming 100% weight for each probability scenario

BANK 31 December 2020	Corporate	SME	Micro finance	Mortgage	Personal	Off-balance sheet	Total (In TZS' million)
Upside	34,004	6,456	236	436	32,620	80	73,832
Base	51,006	9,682	356	656	48,932	170	110,802
Downside	135,992	25,816	948	1,764	130,476	348	295,344
Proportion of assets in stage 2							
Upside	1.46%	12.05%	1.78%	46.87%	40.42%	4.92%	7.03%
Base	1.54%	12.30%	2.12%	47.99%	41.33%	5.08%	7.49%
Downside	1.83%	12.44%	2.14%	48.01%	41.89%	5.73%	8.02%

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.3 Analysis of inputs to the ECL model under multiple economic scenario (continued)

a) ECL for each scenario based on the probability allocation

BANK							In TZS' million
31 December 2021	Corporate	SME	Micro finance	Mortgage	Personal	Off-balance sheet	Total
Gross exposure	2,140,147	561,070	56,945	113,214	2,303,886	2,460,643	7,635,905
Upside (10.6%)	8,753	993	36	79	4,432	129	14,422
Base (68.2%)	56,264	6,391	287	511	28,389	831	92,673
Downside (21.2%)	17,496	1,986	83	159	8,864	258	28,846
	82,513	9,370	406	749	41,685	1,218	135,941
Effect of multiple economic scenario	145	31	10	30.85%	16	31	233

BANK							In TZS' million
31 December 2020	Corporate	SME	Micro finance	Mortgage	Personal	Off-balance sheet	Total
Gross exposure	2,091,770	557,213	103,433	56,945	2,228,810	2,460,381	7,498,552
Upside (10.6%)	8,501	1,614	59	109	8,155	20	18,458
Base (68.2%)	25,503	4,841	178	328	24,466	85	55,401
Downside (21.2%)	33,998	6,454	237	441	32,619	87	73,836
	68,002	12,909	474	878	65,240	192	147,695
Effect of multiple economic scenario	16,996	3,227	118	222	16,308	22	36,893

(b) ECL under each case assuming 100% weight for each probability scenario

BANK							In TZS' million
31 December 2021	Corporate	SME	Micro finance	Mortgage	Personal	Off-balance sheet	Total
Upside	81,270	9,109	426	718	34,901	981	127,405
Base	82,327	9,340	437	749	41,798	1,187	135,838
Downside	83,537	9,599	449	777	48,675	1,436	144,473

Proportion of assets in stage 2

Upside	5.02%	16.69%	0.84%	30.01%	16.70%	2.53%	6.49%
Base	5.74%	18.74%	1.03%	30.85%	15.64%	2.32%	6.87%
Downside	6.50%	20.70%	1.23%	31.79%	14.80%	2.10%	2.10%

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

(b) ECL under each case assuming 100% weight for each probability scenario

BANK							In TZS' million
31 December 2020	Corporate	SME	Micro finance	Mortgage	Personal	Off-balance sheet	Total
Upside	34,004	6,456	236	436	32,620	80	73,832
Base	51,006	9,682	356	656	48,932	170	110,802
Downside	135,992	25,816	948	1,764	130,476	348	295,344
Proportion of assets in stage 2							
Upside	1.46%	12.05%	1.78%	46.87%	40.42%	4.92%	7.03%
Base	1.54%	12.30%	2.12%	47.99%	41.33%	5.08%	7.49%
Downside	1.83%	12.44%	2.14%	48.01%	41.89%	5.73%	8.02%

10.3.4 Model adjustments

Management has determined post model adjustment to incorporate factors which are not specifically embedded in the model used as part of the normal modelling process and those which resulted from qualitative assessment.

Post-model adjustments (both positive and negative) represent adjustments in relation to data and model limitations because of the COVID-19 economic disruption and qualitative assessment which resulted into management overlay. The adjustments are based on a combination of portfolio level credit risk analysis and an evaluation of ECL coverage at an exposure level.

Assessment and calculation of ECL

The level of estimation uncertainty has increased since 31 December 2021 because of the economic disruption and consequential impact of the COVID-19 pandemic. This includes significant judgements relating to:

- The selection and weighting of macro-economic scenarios;
- The effect of Government and other support measures put in place to mitigate the negative economic impact.
- The uncertainty over the duration and severity of the effect of the pandemic as well as the timing and duration of the recovery.

Impact on modelled ECL allowance

The Bank's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The various support schemes and regulatory guidance in which the Bank operates could not be reliably modelled in 2020 therefore, post-model adjustments were done given model changes take a significant amount of time to develop, test and the data limitation issues. However, the same was calibrated in the model in 2021.

Management overlays

Management overlays reflect the significant uncertainty because of Covid-19 and qualitative assessment considerations included the potential severity and duration of the economic disruption and the heightened credit risk of specific loan segments, such as corporate and SME portfolio. The significant overlay relates to Stage 3 loans. Additional information and sensitivity analysis in respect of the inputs to the ECL model under multiple economic scenarios is provided in Note 10.3.3.

The Bank has incorporated all the relevant information calibrated in the model and applying management overlay. The below were among the factors which were taken into consideration:

- Changes to the economic outlook and the impact on macroeconomic scenarios and assumptions.
- Qualitative assessment in considering portfolio level credit risk analysis by accelerate provision to some customers on a case by case basis on the sectors affected by Pandemic.
- Extension of payment term on modified financial assets.
- The effect of government and other support programmes.
- Assessment on significant increase in credit risk in line with COVID-19.

The Group has put in place a robust controls in determining management overlays in the ECL computation. These controls involve regular reviews and approval of material overlay adjustment by senior management team.

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

Post-model adjustments and management overlays made in estimating the reported ECL for the Group and Bank as at 31 December 2021 are set out in the following table:

	Modelled ECL	Post-model adjustments	Management overlays	Total ECL	In TZS' Million Adjustment as a % of total ECL
Corporate lending	**28,377**	-	**54,160**	**82,537**	**66%**
SME lending	**2,830**	-	**6,686**	**9,516**	**70%**
Mortgage lending	**671**	-	**78**	**749**	**10%**
Microfinance lending	**81**	-	**354**	**435**	**81%**
Personal lending	**41,013**	-	**644**	**41,657**	**2%**
Total	**72,972**	-	**61,922**	**134,894**	**46%**

No model adjustments/overlays were done for ECL relating to other financial instruments.

Post-model adjustments and management overlays made in estimating the reported ECL for the Group and Bank as at 31 December 2020 are set out in the following table:

10.3.4 Model adjustments (continued)

	Modelled ECL	Post-model adjustments	Management overlays	Total ECL	In TZS' Million Adjustment as a % of total ECL
Corporate lending	65,027	145	2,344	67,516	4%
SME lending	14,470	23	443	14,936	3%
Microfinance lending	2,365	-	-	2,365	0%
Mortgage lending	1,389	-	16	1,405	1%
Personal lending	58,089	-	2,197	60,286	4%
Total	141,340	168	5,000	146,508	4%

10.3.5 Forborne and modified loans

Restructuring of loans with borrowers who are facing financial difficulty which resulted into modification loss has slightly increased during the year to TZS 359,983 million (2020: TZS 319,800 million).

Pre COVID-19, restructuring was a qualitative indicator of default and credit impairment, and expectations of restructuring are relevant to assessing whether there is a significant increase in credit risk. Following restructuring, a customer needs to demonstrate consistently good payment behaviour over a period before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs

Post COVID-19, restructuring related to supporting customers through the COVID-19 pandemic is not automatically deemed an indicator of default. This was an unprecedented macro-economic event that was beyond the customer. These loans therefore remain performing loans.

During the year ended 31 December 2021 the bank restructured credit facilities for specific customers with liquidity constraints arising from business operations amount to TZS 485,047 and those impacted with COVID-19 pandemic amount to TZS 120,419. However not all restructuring resulted into modification loss. The gross carrying amount of restructured loans which resulted into modification loss was TZS 359,983 arising from business operations and TZS 57,372 from COVID-19 pandemic. All restructures were done within the regulatory and credit policy requirements, after careful consideration of the impact of the COVID-19 to the creditworthiness of customer and for each restructure granted, the customer is closely monitored for credit deterioration.

10. RISK MANAGEMENT (CONTINUED)

10.3.5 Forborne and modified loans (continued)

The table below include stage 2 and 3 assets which were modified during the period with the related modification loss suffered by the Group and Bank;

	In TZS' Million	
	2021	**2020**
Amortised costs of financial assets that result into modification loss during the period	**359,983**	319,800
Amortised costs of financial assets that result into modification loss during the period-COVID 19 restructured loans	**57,372**	175,890
Net modification gain/(loss)	**4,814**	(1,139)

The table below shows the gross carrying amount of previously modified financial assets for which loss allowance has changed to 12-month ECL measurement during the period for the Group and Bank.

				In TZS' Million
	Post modification		Pre-modification	
31 December 2021	**Gross carrying amount**	**Corresponding ECL**	**Gross carrying amount**	**Corresponding ECL**
Facilities that have been cured since modification and are now measured using 12-month ECL (Stage 1)	**297,348**	**10,729**	**251,490**	**2,654**
Facilities that reverted to (Stage 2/3) Lifetime ECL having once cured	**266,066**	**14,851**	**260,323**	**22,791**

				In TZS' Million
	Post modification		Pre-modification	
31 December 2020	**Gross carrying amount**	**Corresponding ECL**	**Gross carrying amount**	**Corresponding ECL**
Facilities that have been cured since modification and are now measured using 12-month ECL (Stage 1)	28,447	29	39,930	203
Facilities that reverted to (Stage 2/3) Lifetime ECL having once cured	38,178	416	32,533	438

10.3.6 Analysis of risk concentration

The following tables break down the Group's and Bank's main credit exposure at gross carrying amounts, as categorised by industry sector and geographical sectors as of 31 December 2021.

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(a) Industry sectors

GROUP										In TZS' Million
31 December 2021	Financial institutions	Manufacturing	Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
Financial assets										
Balances with central bank*	576,981	-	-	-	-	-	-	-	-	576,981
Due from banks	493,216	-	-	-	-	-	-	-	-	493,216
Financial Assets at FVPL	27,097	-	-	-	-	-	-	-	-	27,097
Debt Instruments at FVOCI	-	-	424,160	-	-	-	-	-	-	424,160
Credit card	-	-	-	-	-	-	-	1,844	-	1,844
Loans and advances to customers										
- Corporate	123,963	327,075	-	444,438	152,215	47,962	562,539	-	399,418	2,057,610
- SME	17,049	7,408	-	211,118	32,947	24,306	100,474	-	158,252	551,554
- Microfinance	2,853	983	-	83,168	4,852	2,915	2,784	-	15,224	112,779
- Mortgage	-	-	-	-	-	-	-	-	56,196	56,196
- Personal	-	-	-	-	-	-	-	2,182,415	79,814	2,262,229
Debt Instrument at amortized costs	-	-	1,202,593	-	-	-	-	-	-	1,202,593
Other assets	-	-	-	-	89,599	-	-	-		89,599
	1,241,159	335,466	1,626,753	738,724	279,613	75,183	665,797	2,184,259	708,904	7,855,858
Off-Balance sheet items										
Guarantees and indemnities	-	6,809	-	197,050	1,465	7	7,005	-	1,444,430	1,656,766
Letters of credit	-	840	-	801,698	-	-	-	-	1	802,539
Commitment to extend credit	838	8,664	-	60,490	14,850	3,911	85,605	28	94,627	269,013
	838	16,313	-	1,059,238	16,315	3,918	92,610	28	1,539,058	2,728,318

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(a) Industry sectors (continued)

GROUP										In TZS' Million
31 December 2020	**Financial institutions**	**Manufacturing**	**Government**	**Trading**	**Transport and communication**	**Hotel and restaurant**	**Agriculture**	**Individuals**	**Others**	**Total**
Financial assets										
Cash and Balances with Central bank*	345,487	-	-	-	-	-	-	-	-	345,487
Due from banks	361,902	-	-	-	-	-	-	-	-	361,902
Debt instruments at amortised cost	-	-	995,824	-	-	-	-	-	-	995,824
Debt instruments at FVOCI	-	-	501,005	-	-	-	-	-	-	501,005
Financial assets at FVPL	-	-	5,571	-	-	-	-	-	-	5,571
Loans and advances to customers										
- Corporate	101,265	188,448	-	147,225	129,227	50,822	431,920	-	435,293	1,484,200
- SME	11,463	7,939	-	176,244	30,433	21,876	84,094	38	143,579	475,666
- Microfinance	4,123	198	-	63,010	3,448	727	2,655	4	8,162	82,327
- Mortgage	-	-	-	-	-	-	-	50,614	-	50,614
- Personal	-	-	-	-	-	-	-	1,982,797	-	1,982,797
Credit cards	-	-	-	-	-	-	-	529	-	529
Other assets**	-	-	-	-	89,566	-	-	-	5,222	94,788
	824,240	196,585	1,502,400	386,479	252,674	73,425	518,669	2,033,982	592,256	6,380,711
Off-Balance sheet items										
Guarantees and indemnities	978,587	66,038	-	41,795	84,966	-	495	-	51,619	1,223,500
Letters of credit	-	-	-	12,459	3,930	-	7,589	-	112,852	136,830
Commitment to extend credit	652	6,737	-	47,036	11,547	3,041	66,565	22	73,580	209,180
	979,239	72,775	-	101,290	100,443	3,041	74,649	22	238,051	1,569,510

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(a) Industry sectors (continued)

BANK										In TZS' Million
31 December 2021	Financial institutions	Manufacturing	Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
Financial assets										-
Balances with central bank	564,081	-	-	-	-	-	-	-	-	564,081
Due from banks	442,784	-	-	-	-	-	-	-	-	442,784
Financial Assets at FVPL	20,807	-	-	-	-	-	-	-	-	20,807
Debt Instruments at FVOCI	-	-	424,160	-	-	-	-	-	-	424,160
Credit card	-	-	-	-	-	-	-	1,844	-	1,844
Loans and advances to customers										
- Corporate	123,963	327,075	-	444,438	152,176	47,958	562,537	-	351,108	2,009,255
- SME	17,049	7,408	-	211,021	32,947	24,306	100,474	-	154,639	547,843
- Microfinance	2,853	983	-	83,168	4,852	2,915	2,784	-	5,471	103,027
- Mortgage	-	-	-	-	-	-	-	-	56,196	56,196
- Personal	-	-	-	-	-	-	-	2,182,413	4,714	2,187,127
Debt Instrument at amortized costs			1,001,563							1,001,563
Other assets					95,061					95,061
	1,171,537	335,466	1,425,723	738,627	285,036	75,179	665,795	2,184,257	572,128	7,453,748
Off-Balance sheet items										
Guarantees and indemnities	-	6,809	-	197,050	1,465	7	7,005	-	1,444,289	1,656,625
Letters of credit	-	880	-	801,658	-	-	-	-	1	802,539
Commitment to extend credit	838	8,664	-	60,490	14,850	3,911	85,605	28	94,627	269,013
	838	16,353	-	1,059,198	16,315	3,918	92,610	28	1,538,917	2,728,177

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(a) Industry sectors (continued)

BANK 31 December 2020	Financial institutions	Manufacturing	Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	In TZS' Million Total
Financial assets										
Cash and balances with Central bank*	330,000	-	-	-	-	-	-	-	-	330,000
Due from banks	382,207	-	-	-	-	-	-	-	-	382,207
Debt instruments at amortised cost	-	-	843,316	-	-	-	-	-	-	843,316
Debt instruments at FVOCI	-	-	501,005	-	-	-	-	-	-	501,005
Loans and advances to customers										
- Corporate	101,265	188,448	-	147,225	129,227	50,822	431,920	-	428,651	1,477,558
- SME	11,463	7,939	-	176,244	30,433	21,876	84,094	38	141,570	473,657
- Microfinance	4,123	198	-	63,010	3,448	727	2,655	4	667	74,832
- Mortgage	-		-	-	-	-	-	44,447	-	44,447
- Personal	-	-	-	-	-	-	-	1,927,801	-	1,927,801
Credit cards	-	-	-	-	-	-	-	529	-	529
Other assets**	-	-	-	-	92,030	-	-	-	4,464	96,494
	829,058	196,585	1,344,321	386,479	255,138	73,425	518,669	1,969,153	682,906	6,151,846
Off-Balance sheet items										
Guarantees and indemnities	976,805	65,918	-	41,720	84,811	-	494	-	51,524	1,221,272
Letters of credit	-	-	-	12,340	3,893	-	7,517	-	111,782	135,532
Commitment to extend credit	652	6,737	-	47,035	11,547	3,041	66,566	22	68,052	203,652
	977,457	72,655	-	101,095	100,251	3,041	74,577	22	231,358	1,560,456

*Cash and balances with central Bank do not include cash in hand
**Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

For these tables, the Group and Bank have allocated exposures to regions based on the country of domicile of its counterparties.

(b) Geographical sectors

GROUP						In TZS' Million
31 December 2021	Tanzania	Europe	America	Burundi	Others	Total
Financial assets						
Balances with central bank	576,981	-	-	-	-	576,981
Due from banks	256,463	68,627	126,506	18,635	22,984	493,216
Financial Assets at FVPL	27,097	-	-	-	-	27,097
Debt Instruments at FVOCI	424,160	-	-	-	-	424,160
Credit card	1,844	-	-	-	-	1,844
Loans and advances to customers						
- Corporate	1,920,749	-	-	136,861	-	2,057,610
- SME	547,697	-	-	3,857	-	551,554
- Microfinance	102,998	-	-	9,781	-	112,779
- Mortgage	56,196	-	-	-	-	56,196
- Personal	2,187,159	-	-	75,070	-	2,262,229
Debt instrument at amortized cost	1,202,593	-	-	-	-	1,202,593
Other assets	89,599	-	-	-	-	89,599
	7,393,536	68,627	126,506	244,204	22,984	7,855,858
Off balance sheet items						
Guarantees and indemnities	1,656,766	-	-	-	-	1,656,766
Letters of credit	802,539	-	-	-	-	802,539
Commitment to extend credit	269,013	-	-	-	-	269,013
	2,728,318					2,728,318

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(b) Geographical sectors (continued)

For these tables, the Group and Bank have allocated exposures to regions based on the country of domicile of its counterparties.

GROUP						In TZS' Million
31 December 2020	Tanzania	Europe	America	Burundi	Others	Total
Financial assets						
Balances with Central bank*	330,000	-	-	15,487	-	345,487
Due from banks	141,537	70,507	108,154	-	41,704	361,902
Debt instruments at amortised cost	843,316	-	-	152,508	-	995,824
Debt instruments at FVOCI	501,005	-	-	-	-	501,005
Financial assets at FVPL	5,572	-	-	-	-	5,572
Loans and advances to customers						
- Corporate	1,477,459	-	-	6,741	-	1,484,200
- SME	473,824	-	-	1,842	-	475,666
- Microfinance	74,842	-	-	7,485	-	82,327
- Mortgage	50,614	-	-	-	-	50,614
- Personal	1,921,927	-	-	60,870	-	1,982,797
Credit cards	529	-	-	-	-	529
Other assets**	93,067	-	-	1,721	-	94,788
	5,913,692	70,507	108,154	246,654	41,704	6,380,711
Off balance sheet items						
Guarantees and indemnities	377,673	6,548	-	330	838,949	1,223,500
Letters of credit	24,917	57,176	-	-	54,737	136,830
Commitment to extend credit	204,447	-	-	4,733	-	209,180
	607,037	63,724	-	5,063	893,686	1,569,510

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(b) Geographical sectors (continued)

BANK						In TZS' Million
31 December 2021	Tanzania	Europe	America	Burundi	Others	Total
Financial assets						
Balances with central bank*	564,081	-	-	-	-	564,081
Due from banks	206,030	68,628	126,507	18,635	22,984	442,784
Financial Assets at FVPL	20,807	-	-	-	-	20,807
Debt Instruments at FVOCI	424,160	-	-	-	-	424,160
Credit card	1,844	-	-	-	-	1,844
Loans and advances to customers						
- Corporate	1,920,606	-	-	88,649	-	2,009,255
- SME	547,843	-	-	-	-	547,843
- Microfinance	103,027	-	-	-	-	103,027
- Mortgage	56,196	-	-	-	-	56,196
- Personal	2,187,127	-	-	-	-	2,187,127
Debt instrument at amortized cost	1,001,563	-	-	-	-	1,001,563
Other assets	95,061	-	-	-	-	95,061
	7,128,345	68,628	126,507	107,284	22,984	7,453,748
Off balance sheet items						
Guarantees and indemnities	1,656,625	-	-	-	-	1,656,625
Letters of credit	802,539	-	-	-	-	802,539
Commitment to extend credit	269,013	-	-	-	-	269,013
	2,728,177	-	-	-	-	2,728,177

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(b) Geographical sectors (continued)

BANK						In TZS' Million
31 December 2020	Tanzania	Europe	America	Burundi	Others	Total
Financial assets						
Balances with Central Bank*	330,000	-	-	-	-	330,000
Due from banks	140,833	70,507	108,154	23,203	39,510	382,207
Debt instruments at amortised cost	843,316	-	-	-	-	843,316
Debt instruments at FVOCI	501,005	-	-	-	-	501,005
Loans and advances to customers	-		-	-	-	-
- Corporate	1,395,266	-	-	82,292	-	1,477,558
- SME	473,657	-	-	-	-	473,657
- Microfinance	74,832	-	-	-	-	74,832
- Mortgage	44,447	-	-	-	-	44,447
- Personal	1,927,801	-	-	-	-	1,927,801
Credit cards	529	-	-	-	-	529
Other assets**	96,494	-	-	-	-	96,494
	5,828,180	70,507	108,154	105,495	39,510	6,151,846
Off balance sheet items						
Guarantees and indemnities	375,445	6,548	-	330	838,949	1,221,272
Letters of credit	23,619	57,176	-	-	54,737	135,532
Commitment to extend credit	198,919	-	-	4,733	-	203,652
	597,984	63,723	-	5,063	893,686	1,560,456

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(c) Credit quality per segments, industry and asset classes

GROUP				In TZS' Million
31 December 2021	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Balance with central bank	576,981	-	-	576,981
Due from banks	493,216	-	-	493,216
Financial Assets at FVPL	27,097	-	-	27,097
Debt instruments at FVOCI	424,160	-	-	424,160
Credit card	1,844	-	-	1,844
Loans and advances				
Corporate	1,821,126	187,889	48,595	2,057,610
SME	467,238	57,038	27,278	551,554
Microfinance	106,313	3,148	3,318	112,779
Mortgage	47,516	5,477	3,203	56,196
Personal loans	2,241,454	12,245	8,530	2,262,229
Debt instruments at amortised cost	1,202,593	-	-	1,202,593
Other assets	-	89,599	-	89,599
	7,409,538	355,396	90,924	7,855,858
Off balance sheet				
Guarantees and indemnities	1,656,766	-	-	1,656,766
Letters of credit	802,539	-	-	802,539
Commitments to extend credit	269,013	-	-	269,013
	2,728,318	-	-	2,728,318
Per industry segment				
Financial institutions	1,240,361	547	251	1,241,159
Manufacturing	330,360	4,664	442	335,466
Government	1,626,753			1,626,753
Trading	678,863	43,919	15,942	738,724
Transport and communication	225,152	38,788	13,758	277,698
Hotel and restaurant	60,259	12,691	2,233	75,183
Agriculture	542,185	101,987	21,625	665,797
Individuals	2,161,650	11,815	10,794	2,184,259
Others	543,955	140,985	25,879	710,819
	7,409,538	355,396	90,924	7,855,858

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(c) Credit quality per segments, industry and asset classes (continued)

GROUP				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financial assets				
Balances with Central Bank*	345,487	-	-	345,487
Due from banks	361,902	-	-	361,902
Debt instruments at amortized cost	995,824	-	-	995,824
Debt instruments at FVOCI	501,005	-	-	501,005
Financial assets at FVPL	5,571	-	-	5,571
Loans and advances to customers				
- Corporate	1,152,644	221,670	109,886	1,484,200
- SME	371,053	69,103	35,510	475,666
- Microfinance	78,765	2,037	1,525	82,327
- Mortgage	38,534	7,882	4,198	50,614
- Personal	1,930,869	24,122	27,806	1,982,797
Credit cards	529	-	-	529
Other assets**	-	94,788	-	94,788
	5,782,183	419,602	178,925	6,380,710
Off balance sheet items:				
Guarantees and indemnities	1,223,500	-	-	1,223,500
Letters of credit	136,830	-	-	136,830
Commitments to extend credit	209,180	-	-	209,180
	1,569,510	-	-	1,569,510
Per industry segment				
Financial institutions	822,424	714	1,102	824,240
Manufacturing	188,353	7,852	380	196,585
Government	1,503,222	2,478	-	1,505,700
Trading	336,314	31,941	18,224	386,479
Transport and communication	214,716	24,362	13,596	252,674
Hotels and restaurants	44,996	24,506	3,923	73,425
Agriculture	393,966	81,132	43,571	518,669
Individuals	1,982,173	24,373	27,436	2,033,982
Others	465,410	225,510	70,693	761,613
	5,951,574	422,868	178,925	6,553,367

*Cash and balances with central Bank do not include cash in hand
**Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(c) Credit quality per segments, industry and asset classes (continued)

BANK				In TZS' Million
31 December 2021	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Balance with central bank	564,081	-	-	564,081
Due from banks	442,784	-	-	442,784
Financial Assets at FVPL	20,807	-	-	20,807
Debt instruments at FVOCI	424,160	-	-	424,160
Credit card	1,844	-	-	1,844
Loans and advances				
Corporate	1,773,656	187,144	48,455	2,009,255
SME	464,063	56,722	27,058	547,843
Microfinance	96,491	3,154	3,382	103,027
Mortgage	47,518	5,477	3,201	56,196
Personal loans	2,166,936	11,815	8,376	2,187,127
Debt instruments at amortised cost	1,001,563	-	-	1,001,563
Other assets	-	95,061	-	95,061
	7,003,903	359,373	90,472	7,453,748
Off balance sheet				
Guarantees and indemnities	1,656,625	-	-	1,656,625
Letters of credit	802,539	-	-	802,539
Commitments to extend credit	269,013	-	-	269,013
	2,728,177	-	-	2,728,177
Per industry segment				
Financial institutions	1,170,739	547	251	1,171,537
Manufacturing	330,360	4,664	442	335,466
Government	1,425,723	-	-	1,425,723
Trading	678,766	43,919	15,942	738,627
Transport and communication	230,090	38,788	13,758	282,636
Hotel and restaurant	60,255	12,691	2,233	75,179
Agriculture	542,183	101,987	21,625	665,795
Individuals	2,161,648	11,815	10,794	2,184,257
Others	403,739	144,962	25,427	574,128
	7,003,503	359,373	90,472	7,453,348

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

(c) Credit quality per segments, industry and asset classes (continued)

BANK				In TZS' Million
31 December 2020	Stage 1	Stage 2	Stage 3	Total
Per portfolio				
Balances with Central Bank*	330,000	-	-	330,000
Due from banks	382,207	-	-	382,207
Debt instruments at amortised cost	843,316	-	-	843,316
Debt instruments at FVOCI	501,005	-	-	501,005
Loans and advances to customers				
- Corporate	1,147,122	220,734	109,702	1,477,558
- SME	369,249	69,080	35,328	473,657
- Microfinance	71,271	2,037	1,524	74,832
- Mortgage	32,367	7,882	4,198	44,447
- Personal	1,876,171	24,392	27,238	1,927,801
Credit cards	529	-	-	529
Other assets**	-	96,494	-	96,494
	5,553,237	420,619	177,990	6,151,846
Off balance sheet items:				
Guarantees and indemnities	1,221,272	-	-	1,221,272
Letters of credit	135,532	-	-	135,532
Commitments to extend credit	203,652	-	-	203,652
	1,560,456	-	-	1,560,456
Per industry segment				
Financial institutions	827,242	714	1,102	829,058
Manufacturing	188,353	7,852	380	196,585
Government	1,348,808	2,478	-	1,351,286
Trading	336,314	31,941	18,224	386,479
Transport and communication	217,180	24,362	13,596	255,138
Hotels and restaurants	44,996	24,506	3,923	73,425
Agriculture	393,966	81,132	43,571	518,669
Individuals	1,917,344	24,373	27,436	1,969,153
Others	386,621	226,528	69,757	682,906
	5,660,824	423,886	177,989	6,262,699

*Cash and balances with central Bank do not include cash in hand
**Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.6 Analysis of risk concentration (continued)

Despite COVID-19 Pandemic, credit portfolio performance has been relatively stable in the year 2021. An impact was noted in Corporate and SME segment in sectors directly impacted such as hotels and restaurants, tourism, education, and trade caused by closure of schools, travel restrictions and a slight impact for customers whose main business is exportation. However, the Bank took pro-active measures to engage customers' timely and modified repayment schedules including granting moratorium period of payment of principal only or both, principal and accrued interest when need be.

10.3.7 Collateral and other credit enhancements

The amount and type of collateral required to secure loan and advances depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

In its normal course of business, the Bank engages external agents to recover funds from repossessed properties or other assets in its retail portfolio, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet and not treated as non–current assets held for sale.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through weekly analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits, where appropriate. Some other specific control and mitigation measures are outlined below.

(a) Collateral

The Group and Bank employ a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group and Bank implement guidelines on the acceptability of specific classes of collateral or credit risk mitigation. Collateralization requirement of 125% is applicable to Corporate, SMEs, Microfinance and Mortgage loans. Personal loans are practically unsecured in terms of physical securities.

The principal collateral types for loans and advances are:

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

Terms and conditions that apply for collateral held as securities

- The collateral must be mortgaged by the Bank
- The borrower is required to pay the land rent if the pledged collateral is a landed property and insure the pledged collateral to a reputable insurance company
- In the event that the borrower default the pledged collateral can be ceased by the Bank and sold

The valuation and management of the collateral across all business units of the group are governed by the Group credit policy.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. To minimise the credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collaterals pledged

The Group has pledged part of its Treasury bills and bonds to fulfil the collateral requirements of various short-term borrowings from other Banks. The Group also holds Treasury Bills and Bonds amounting TZS 102,055 million as at 31 December 2021 (2020: TZS 37,752 million) in respects of short-term borrowings extended to other banks. The Group has no control on collaterals pledged by other banks as it has an obligation to return the securities to the counterparties upon settlement of the loans, and it's not permitted to sell or repledge the collateral in the absence of default by the owner of the collateral. There are no other significant terms and conditions associated with the use of collateral.

Despite the COVID-19 Pandemic there were no material adverse impact on the value of collaterals pledges as securities which were considered in the measurement of ECL.

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.

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

(b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings on behalf of a customer authorising a third party to draw drafts on a Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group and Bank are potentially exposed to loss in amounts equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group and Bank monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(c) Write-off

The Group may write-off financial assets that are still subject to enforcement activity while the Bank still seeks to recover amounts it is legally owed in full. The outstanding contractual amounts of such assets written off during the year ended 31 December 2021 was TZS 66,402 million (2020: TZS 100,096 million).

When entering new markets or new industries, 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.

Financial instruments whose carrying amounts represent the maximum exposure to credit risk without taking account of any collateral held or other credit enhancements are shown below: -

GROUP				In TZS' Million
Group Credit exposures	**2021**		**2020**	
		%		%
Financial assets:				
Balances with Central Bank	**576,981**	**5**	345,487	4
Due from banks	**493,216**	**5**	361,902	5
Financial assets at FVPL	**27,097**	**0**	5,571	0
Debt instruments at FVOCI	**424,160**	**4**	501,005	6
Credit cards	**1,844**	**0**	529	0
Loans and advances to customers				
- Corporate	**2,057,610**	**19**	1,416,684	18
- SME	**551,554**	**5**	460,730	6
- Microfinance	**112,779**	**1**	79,962	1
- Mortgage	**56,196**	**1**	49,209	1
- Personal	**2,262,229**	**21**	1,922,511	25
Debt instruments at amortised cost	**1,202,593**	**11**	995,824	13
Other assets*	**89,599**	**1**	94,788	1
	7,855,858	**74**	6,234,202	80
Off balance sheet items:				
Guarantees and indemnities	**1,656,766**	**16**	1,223,345	16
Letters of credit	**802,539**	**8**	136,816	2
Commitments to extend credit	**269,013**	**2**	209,180	2
	2,728,318	**26**	1,569,341	20
	10,584,176	**100**	7,803,543	100

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

BANK				In TZS' Million
Bank Credit exposures	**2021**		**2020**	
		%		%
Financial assets:				
Balances with Central Bank	**564,081**	**6**	330,000	4
Due from banks	**442,784**	**4**	382,207	5
Financial assets at FVPL	**20,807**	**0**		0
Debt instruments at FVOCI	**424,160**	**4**	501,005	7
Credit cards	**1,844**	**0**	529	0
Loans and advances to customers				0
- Corporate	**2,009,257**	**20**	1,417,125	19
- SME	**547,843**	**5**	460,727	6
- Microfinance	**103,027**	**1**	79,981	1
- Mortgage	**56,196**	**1**	49,209	1
- Personal	**2,187,125**	**21**	1,922,425	25
Debt instruments at amortised cost	**1,001,563**	**10**	843,316	11
Other assets*	**95,061**	**1**	96,494	1
	7,453,748	**73**	6,083,018	80
Off balance sheet items:				
Guarantees and indemnities	**1,656,625**	**16**	1,221,118	16
Letters of credit	**802,539**	**8**	135,518	2
Commitments to extend credit	**269,013**	**3**	209,180	3
	2,728,177	**27**	1,569,510	20
	10,181,925	**100**	7,798,349	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 75% (2020: 72%) of the total credit exposure. The directors are confident in the ability to continue to minimize the credit risk to the Group and Bank.

Due from 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;

			GROUP		BANK	In TZS' Million
	Name of Bank	**Country**	**2021**	**2020***	**2021**	**2020***
1	Kenya Commercial Bank	Tanzania	**66,040**	5,000	**66,040**	5,000
2	Citi Bank	USA	**126,887**	108,154	**126,887**	108,154
3	DZ Bank	Germany	**13,959**	22,094	**13,959**	22,094
4	LLOYDS Bank Plc	UK	**31,822**	14,136	**31,822**	14,136
5	AFRIEXIM Bank Ltd.	Nigeria	**23,053**	-	**23,053**	-
6	Crown Agents Bank	UK	**23,053**	11,594	**23,053**	11,594
7	Absa Bank	Tanzania	**10,000**	10,000	**10,000**	10,000
8	CRDB Burundi	Burundi	**18,691**	22,279	**18,691**	22,279
9	NMB Bank	Tanzania	**-**	70,000	**-**	70,000
10	TPB Bank	Tanzania	**19,000**	10,000	**19,000**	10,000
11	PBZ	Tanzania	**33,000**	12,000	**33,000**	12,000
12	Others		**127,711**	76,645	**77,279**	96,950
	Total		**493,216**	361,902	**442,784**	382,207

*The 2020 Bank balances has been adjusted to align with the 2021 listing, previous was in 'others' category because of materiality.

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

While collateral is an important mitigant to credit risk, the Group's underwriting policy ensures that loans are strictly granted on a going concern basis with adequate demonstration of repayment capacity. Other than exposures that are unsecured, all other facilities are secured by collateral in the form of charges over cash, land and buildings, marketable securities, plant, and machinery, amongst other.

The tables on the following pages show;

- the maximum exposure to credit risk by class of financial asset. They also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.
- the analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECL when the expected value of the collateral, measured using multiple economic scenarios, is greater than the LGD. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is lower than fair value at the reporting date.

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

Type of collateral or credit enhancement for all financial instruments and associated ECL

GROUP		Fair value of collateral and credit enhancements held							In TZS' Million
31 December 2021	**Maximum exposure to credit risk**	**Securities**	**3rd party/Gov Guarantees**	**Property**	**Other**	**Surplus collateral**	**Total Collateral**	**Net Exposure**	**Associated ECL**
Balance with central bank	576,981	-	-	-	-	-	-	576,981	-
Due from banks	493,216	-	-	-	-	-	-	493,216	1,329
Financial Assets at FVPL	27,097	-	-	-	-	-	-	27,097	-
Debt instruments at FVOCI	424,160	-	-	-	-	-	-	424,160	72
Credit card	1,844	-	-	-	-	-	-	1,844	129
Loans and advances									
Corporate	2,057,610	14,144	844,327	3,772,481	611,902	(771,825)	4,471,029	(2,413,419)	82,537
SME	551,554	57,413	88,688	1,295,372	137,629	(240,248)	1,338,855	(787,301)	9,516
Microfinance	112,779	3,004	2,990	417,340	34,640	(70,573)	387,400	(274,621)	435
Mortgage	56,196	1,001	31	124,002	905	(20,839)	105,100	(48,904)	749
Personal loans	2,262,229	62,924	239	155,183	18,778	(36,391)	200,733	2,061,496	41,657
Debt instruments at amortised cost	1,202,593	-	-	-	-	-	-	1,202,593	271
Other assets	89,599	-	-	-	-	-	-	89,599	15,174
Total Financial Assets	7,855,858	138,486	936,276	5,764,378	803,854	(1,139,876)	6,503,117	1,352,741	151,869
Off-Balance sheet items									
Guarantees and indemnities	1,656,766	-	1,499,878	-	-	(238,070)	1,261,808	394,958	978
Letters of credit	802,539	-	-	-	-	-	-	802,539	240
Commitments to extend credit	269,013	-	-	-	-	-	-	269,013	-
	2,728,318	-	1,499,878	-	-	(238,070)	1,261,808	1,466,510	1,218

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

Type of collateral or credit enhancement for all financial instruments and associated ECL

GROUP									In TZS' Million
		Fair value of collateral and credit enhancements held							
31 December 2020	Maximum exposure to credit risk	Securities	3rd party/Gov Guarantees	Property	Other	Surplus collateral	Total Collateral	Net Exposure	Associated ECL
Balances with central bank	345,487	-	-	-	-	-	-	345,487	-
Due from banks	361,902	-	-	-	-	-	-	361,902	1,532
Financial assets at FVPL	5,571	-	-	-	-	-	-	5,571	-
Debt instruments at FVOCI	501,005	-	-	-	-	-	-	501,005	-
Credit cards	529	-	-	-	-	-	-	529	1,390
Loans and advances to customers									
- Corporate	1,416,684	452,577	265,594	5,097,590	335,543	(3,241,041)	2,910,263	(1,493,579)	67,516
- SME	460,730	116,688	116,640	1,470,974	51,446	(535,471)	1,220,277	(759,547)	14,936
- Microfinance	79,962	12,853	16,376	450,459	17,415	(229,260)	267,843	(187,881)	2,370
- Mortgage	49,209	10,221	5,749	98,083	845	(22,139)	92,759	(43,550)	1,405
- Personal	1,922,511	30,283	5,130	178,026	1,082	(44,099)	170,422	1,752,089	60,365
Debt instruments at amortised cost	995,824	-	-	-	-	-	-	995,824	172
Other assets	94,788	-	-	-	-	-	-	-	25,729
	6,234,202	622,622	409,489	7,295,132	406,331	(4,072,010)	4,661,564	1,477,850	175,415
Off-Balance sheet items									
Guarantees and indemnities	1,223,345	-	1,107,081	-	-	(175,723)	931,358	291,987	155
Letters of credit	136,816	-	-	-	-	-	-	136,816	14
Commitment to extend credit	209,180	-	-	-	-	-	-	209,180	-
	1,569,341	-	1,107,081	-	-	(175,723)	931,358	637,997	169

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

Type of collateral or credit enhancement for all financial instruments and associated ECL

BANK		Fair value of collateral and credit enhancements held							In TZS' Million
31 December 2021	**Maximum exposure to credit risk**	**Securities**	**3rd party/Gov Guarantees**	**Property**	**Other**	**Surplus collateral**	**Total Collateral**	**Net Exposure**	**Associated ECL**
Balance with central bank	564,081	-	-	-	-	-	-	564,081	-
Due from banks	442,784	-	-	-	-	-	-	442,784	1,329
Financial Assets at FVPL	20,807	-	-	-	-	-	-	20,807	172
Debt instruments at FVOCI	424,160	-	-	-	-	-	-	424,160	72
Credit card	1,844	-	-	-	-	-	-	1,844	129
Loans and advances									
- Corporate	2,009,257	11,787	703,606	3,143,734	611,902	(905,539)	3,565,490	(1,556,233)	82,513
- SME	547,843	47,844	73,907	1,079,477	137,627	(393,834)	945,021	(397,178)	9,370
- Microfinance	103,027	2,503	2,492	347,783	34,623	(140,581)	246,819	(143,792)	406
- Mortgage	56,196	834	26	103,335	905	(28,719)	76,380	(20,184)	749
- Personal loans	2,187,125	52,437	199	129,319	18,778	(24,453)	176,280	2,010,845	41,685
Debt instruments at amortised cost	1,001,563	-	-	-	-	-	-	1,001,563	270
Other assets	95,061	-	-	-	-	-	-	95,061	15,141
Total Financial Assets held at amortised cost	7,453,748	115,405	780,230	4,803,648	803,835	(1,493,126)	5,009,990	2,443,758	151,836
Off Balance sheet Items									
Guarantees and indemnities	1,656,625	-	1,499,878	-	-	(238,070)	1,261,808	394,817	978
Letters of credit	802,539	-	-	-	-	-	-	802,539	240
Commitments to extend credit	269,013	-	-	-	-	-	-	269,013	11,248
	2,728,177	-	1,499,878	-	-	(238,070)	1,261,808	1,071,552	12,466

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

Type of collateral or credit enhancement for all financial instruments and associated ECL

BANK	Fair value of collateral and credit enhancements held								In TZS' Million
31 December 2020	Maximum exposure to credit risk	Securities	3rd party/Gov Guarantees	Property	Other	Surplus collateral	Total Collateral	Net Exposure	Associated ECL
Financial assets									
Balances with central banks	330,000	-	-	-	-	-	-	330,000	-
Due from banks	382,207	-	-	-	-	-	-	382,207	1,532
Financial assets at FVPL	-	-	-	-	-	-	-	-	-
Debt instruments at FVOCI	501,005	-	-	-	-	-	-	501,005	-
Credit cards	529	-	-	-	-	-	-	529	1390
Loans and advances to customers									
- Corporate	1,417,125	452,577	265,594	5,067,697	335,543	(3,231,077)	2,890,334	(1,473,209)	67,075
- SME	460,727	116,688	116,640	1,470,325	51,446	(535,255)	1,219,844	(759,117)	14,939
- Microfinance	79,981	12,853	16,376	450,252	17,415	(229,191)	267,705	(187,724)	2,346
- Mortgage	49,209	10,221	5,749	98,084	845	(22,139)	92,760	(43,551)	1,405
- Personal	1,922,425	30,284	5,130	173,836	1,082	(42,703)	167,629	1,754,796	60,372
Debt instruments at amortised cost	843,316	-	-	-	-	-	-	843,316	172
Other assets	96,494	-	-	-	-	-	-	96,494	25,555
	6,083,018	622,623	409,489	7,260,194	406,331	(4,060,365)	4,638,272	1,444,746	174,786
Off-Balance sheet items									
Guarantees and indemnities	1,221,118	-	1,107,081	-	-	(175,723)	931,358	289,914	155
Letters of credit	135,518	-	-	-	-	-	-	135,518	14
Commitment to extend credit	209,180	-	-	-	-	-	-	209,180	-
	1,565,816	-	1,107,081	-	-	(175,723)	931,358	634,612	169

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECL when the expected value of the collateral, measured using multiple economic scenarios, is greater than the LGD. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is lower than fair value at the reporting date.

GROUP		Fair value of collateral and credit enhancements held under base case scenario							In TZS' Million
31 December 2021	Maximum exposure to credit risk	Securities	3rd party/Gov Guarantees	Property	Other	Surplus collateral	Total Collateral	Net Exposure	Associated ECL
Financial assets									
Loans and advances to customers									
- Corporate	**48,613**	**-**	**117**	**168,669**	**4,798**	**(49,720)**	**123,864**	**75,251**	**38,281**
- SME	**27,278**	**1,740**	**6,827**	**89,535**	**10,836**	**(41,807)**	**67,132**	**39,854**	**7,882**
- Microfinance	**3,318**	**-**	**79**	**16,409**	**1,579**	**(8,011)**	**10,056**	**6,738**	**451**
- Mortgage	**3,203**	**-**	**-**	**8,612**	**-**	**(2,586)**	**6,026**	**2,823**	**464**
- Personal loans	**8,530**	**-**	**179**	**2,878**	**29**	**(1,076)**	**2,010**	**(6,520)**	**18,906**
	90,942	**1,740**	**7,202**	**286,103**	**17,241**	**(103,199)**	**209,088**	**118,146**	**65,984**
31 December 2020									
Financial assets									
Loans and advances to customers									
- Corporate	45,552	-	176	230,249	-	(88,041)	142,384	96,832	64,334
- SME	25,957	16,082	7,023	86,006	579	(18,305)	91,385	65,428	9,553
- Microfinance	1,136	284	-	8,723	633	(2,593)	7,047	5,911	389
- Mortgage	3,837	-	-	7,094	-	(591)	6,503	2,666	361
- Personal loans	6,960	326	454	5,108	-	127	6,015	(945)	20,846
	83,442	16,692	7,653	337,180	1,212	(109,403)	253,334	169,892	95,483

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECL when the expected value of the collateral, measured using multiple economic scenarios, is greater than the LGD. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is lower than fair value at the reporting date.

									In TZS' Million
BANK		Fair value of collateral and credit enhancements held under base case scenario							
31 December 2021	**Maximum exposure to credit risk**	**Securities**	**3rd party/Gov Guarantees**	**Property**	**Other**	**Surplus collateral**	**Total Collateral**	**Net Exposure**	**Associated ECL**
Financial assets									
Loans and advances to customers									
- Corporate	**48,457**	**-**	**101**	**145,405**	**4,136**	**(31,676)**	**117,966**	**69,509**	**38,269**
- SME	**27,058**	**1,500**	**5,886**	**77,186**	**9,341**	**(29,977)**	**63,935**	**36,877**	**7,776**
- Microfinance	**3,382**	**-**	**68**	**14,145**	**1,361**	**(5,998)**	**9,577**	**6,195**	**385**
- Mortgage	**3,201**	**-**	**-**	**7,424**	**-**	**(1,685)**	**5,739**	**2,538**	**466**
- Personal loans	**8,374**	**-**	**154**	**2,481**	**25**	**(746)**	**1,914**	**(6,460)**	**18,902**
	90,472	**1,500**	**6,209**	**246,641**	**14,863**	**(70,082)**	**199,131**	**108,659**	**65,798**
31 December 2020									
Financial assets									
Loans and advances to customers									
- Corporate	45,720	-	176	160,373	-	(26,137)	134,412	88,692	63,982
- SME	25,776	16,082	7,023	86,006	579	(18,478)	91,212	65,436	9,552
- Microfinance	1,136	284	-	8,723	633	(2,648)	6,992	5,856	388
- Mortgage	3,837	-	-	7,094	-	(591)	6,503	2,666	361
- Personal loans	6,394	326	454	5,108	-	(1,048)	4,841	(1,553)	20,844
	82,863	16,692	7,653	267,305	1,212	(48,902)	243,960	161,097	95,127

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

Below table shows financial instruments for which an entity has not recognised a loss allowance because of the collateral.

BANK		Fair value of collateral and credit enhancements held under base case scenario						In TZS' Million
31 December 2021	**Maximum exposure to credit risk**	**Securities**	**3rd party/Gov Guarantees**	**Property**	**Other**	**Surplus collateral**	**Total Collateral**	**Net Exposure**
Financial assets								
Loans and advances to customers								
- Corporate	1,154,960	11,644	403,567	2,638,114	402,945	(645,358)	2,810,912	(1,655,952)
- SME	319,767	44,851	60,568	889,222	110,766	(320,240)	785,167	(465,400)
- Microfinance	86,422	2,437	2,153	331,564	32,455	(133,440)	235,169	(148,747)
- Mortgage	-	-	-	-	-	-	-	-
- Personal loans	30,039	44,199	22	8,506	15,340	(2,823)	65,244	(35,205)
	1,591,188	103,131	466,310	3,867,406	561,506	(1,101,861)	3,896,492	(2,305,304)
31 December 2020								
Financial assets								
Loans and advances to customers								
- Corporate	1,170,745	237,875	465,561	4,167,366	10,387	(2,062,738)	2,818,451	(1,647,707)
- SME	375,417	148,627	83,360	1,369,691	38,175	(441,472)	1,198,381	(822,964)
- Microfinance	68,488	33,130	8,786	445,000	4,363	(224,580)	266,699	(198,211)
- Mortgage	34,566	6,467	5,066	84,990	4,526	(11,094)	89,956	(55,390)
- Personal loans	48,827	3,297	25,102	85,892	7,772	29,684	151,747	(102,920)
	1,698,043	429,396	587,875	6,152,939	65,223	(2,710,200)	4,525,233	(2,827,191)

*Due to changes made to the ECL model during the year i.e., Revision of model assumptions, inputs and data, there no mortgage with no ECL. All mortgages have ECL during the year. For example, all mortgages' portfolios are subject to a minimum LGD rate of 10% i.e., LGD floor.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

Below table shows financial instruments for which an entity has not recognised a loss allowance because of the collateral.

GROUP		Fair value of collateral and credit enhancements held under base case scenario						In TZS' Million
31 December 2021	**Maximum exposure to credit risk**	**Securities**	**3rd party/Gov Guarantees**	**Property**	**Other**	**Surplus collateral**	**Total Collateral**	**Net Exposure**
Financial assets								
Loans and advances to customers								
- Corporate	**1,154,960**	**11,644**	**403,567**	**2,638,114**	**4,136**	**(246,549)**	**2,810,912**	**(1,655,952)**
- SME	**319,767**	**44,851**	**60,568**	**889,222**	**9,341**	**(218,815)**	**785,167**	**(465,400)**
- Microfinance	**86,422**	**2,437**	**2,153**	**331,564**	**1,361**	**(102,346)**	**235,169**	**(148,747)**
- Mortgage	-	-	-	-	-	-	-	-
- Personal loans	**30,039**	**44,199**	**22**	**8,506**	**25**	**12,492**	**65,244**	**(35,205)**
	1,591,188	**103,131**	**466,310**	**3,867,406**	**14,863**	**(555,218)**	**3,896,492**	**(2,305,304)**
31 December 2020								
Financial assets								
Loans and advances to customers								
- Corporate	1,165,921	237,875	424,246	4,167,366	10,386	(2,296,858)	2,543,015	(1,377,094)
- SME	374,669	148,627	73,507	1,369,691	38,175	(497,306)	1,132,694	(758,025)
- Microfinance	68,169	33,130	8,271	445,000	4,363	(227,497)	263,266	(195,097)
- Mortgage	34,566	6,467	3,805	84,990	4,526	(18,242)	81,546	(46,980)
- Personal loans	47,589	3,297	16,698	85,892	7,771	(17,939)	95,720	(48,131)
	1,690,915	429,396	526,527	6,152,939	65,223	(3,057,843)	4,116,241	(2,425,327)

*Due to changes made to the ECL model during the year i.e., Revision of model assumptions, inputs and data, there no mortgage with no ECL.
All mortgages have ECL during the year. For example, all mortgages' portfolios are subject to a minimum LGD rate of 10% i.e., LGD floor.

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

The table below summarises the gross carrying amount for loans and advances with significant increase in credit risk and associated collateral.

GROUP									In TZS' Million
	Gross carrying amount			Collateral			Net exposure		
31 December 2021	**Total**	**Stage 2**	**Stage 3**	**Total**	**Stage 2**	**Stage 3**	**Total**	**Stage 2**	**Stage 3**
Corporate	**2,140,147**	**210,471**	**86,876**	**4,471,029**	**466,774**	**149,642**	**(2,330,882)**	**(256,303)**	**(62,767)**
SME	**561,070**	**58,235**	**35,160**	**1,338,855**	**130,272**	**93,912**	**(777,785)**	**(72,038)**	**(58,753)**
Microfinance	**113,214**	**3,159**	**3,769**	**387,400**	**19,578**	**15,575**	**(274,186)**	**(16,419)**	**(11,806)**
Mortgage	**56,945**	**5,708**	**3,667**	**105,100**	**9,772**	**7,424**	**(48,155)**	**(4,063)**	**(3,757)**
Personal	**2,303,886**	**15,444**	**27,436**	**200,733**	**4,647**	**2,660**	**2,103,153**	**10,799**	**24,775**
Total	**5,175,262**	**293,017**	**156,908**	**6,503,118**	**631,043**	**269,213**	**(1,327,856)**	**(338,024)**	**(112,307)**
31 December 2020									
Corporate	1,484,200	221,670	109,886	2,910,263	360,307	142,384	(1,426,063)	(138,637)	(32,498)
SME	475,666	69,103	35,510	1,220,277	179,990	91,385	(744,611)	(110,887)	(55,875)
Mortgage	50,614	7,882	4,198	267,843	8,756	7,047	(217,229)	(874)	(2,849)
Personal	1,982,797	24,122	27,806	92,759	11,631	6,503	1,890,038	12,491	21,303
Microfinance	82,327	2,037	1,525	170,422	3,896	6,016	(88,095)	(1,859)	(4,491)
Total	4,075,604	324,814	178,925	4,661,564	564,580	253,335	(585,960)	(239,766)	(74,410)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

The table below summarises the gross carrying amount for loans and advances with significant increase in credit risk and associated collateral.

BANK									In TZS' Million
	Gross carrying amount			Collateral			Net exposure		
31 December 2021	Total	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total	Stage 2	Stage 3
Corporate	2,091,770	209,722	86,726	4,471,029	413,121	149,642	(2,379,259)	(203,399)	(62,917)
SME	557,213	57,908	34,834	1,338,855	114,206	93,912	(781,642)	(56,299)	(59,078)
Microfinance	103,433	3,159	3,767	387,400	14,929	15,575	(283,967)	(11,770)	(11,806)
Mortgage	56,945	5,709	3,667	105,100	8,511	7,424	(48,155)	(2,802)	(3,757)
Personal	2,228,810	15,014	27,276	200,733	2,238	2,660	2,028,077	12,776	24,616
Total	5,038,171	291,512	156,270	6,503,118	553,005	269,213	(1,464,947)	(261,494)	(112,941)
31 December 2020									
Corporate	1,477,558	220,734	109,702	2,890,334	348,350	134,412	(1,412,776)	(127,616)	(24,710)
SME	473,657	69,080	35,328	1,219,845	179,730	91,212	(746,188)	(110,650)	(55,884)
Mortgage	44,447	7,882	4,198	267,705	8,673	6,992	(223,258)	(791)	(2,794)
Personal	1,927,801	24,392	27,238	92,759	11,631	6,503	1,835,042	12,761	20,735
Microfinance	74,832	2,037	1,524	167,485	2,133	4,841	(92,653)	(96)	(3,317)
Total	3,998,295	324,125	177,990	4,638,128	550,517	243,960	(639,833)	(226,392)	(65,970)

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers

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

GROUP				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	4,725,336	-	-	4,725,337
Especially mentioned	-	293,018	-	293,017
Sub-standard	-	-	73,450	73,450
Doubtful	-	-	62,204	62,204
Loss	-	-	21,254	21,254
Gross Carrying amount	4,725,336	293,018	156,908	5,175,262
ECL allowance	(41,689)	(27,221)	(65,984)	(134,894)
Net Loans and advances to customers	4,683,647	265,797	90,924	5,040,368
31 December 2020				
Current	3,571,865	-	-	3,571,865
Especially mentioned	-	324,814	-	324,814
Sub-standard	-	-	78,585	78,585
Doubtful	-	-	44,418	44,418
Loss	-	-	55,922	55,922
Gross Carrying amount	3,571,865	324,814	178,925	4,075,604
ECL allowance	(38,745)	(12,280)	(95,483)	(146,508)
Net Loans and advances to customers	3,533,120	312,534	83,442	3,929,096

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

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

BANK				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**4,590,389**	**-**	**-**	**4,590,389**
Especially mentioned	**-**	**291,512**	**-**	**291,512**
Sub-standard	**-**	**-**	**72,946**	**72,946**
Doubtful	**-**	**-**	**62,070**	**62,070**
Loss	**-**	**-**	**21,254**	**21,254**
Gross Carrying amount	**4,590,389**	**291,512**	**156,270**	**5,038,171**
ECL allowance	**(41,725)**	**(27,200)**	**(65,798)**	**(134,723)**
Net Loans and advances to customers	**4,548,664**	**264,312**	**90,472**	**4,903,448**
31 December 2020				
Current	3,496,180	-	-	3,496,180
Especially mentioned	-	324,125	-	324,125
Sub-standard	-	-	77,824	77,824
Doubtful	-	-	44,256	44,256
Loss	-	-	55,910	55,910
Gross Carrying amount	3,496,180	324,125	177,990	3,998,295
ECL allowance	(38,731)	(12,279)	(95,127)	(146,137)
Net Loans and advances to customers	3,457,449	311,846	82,863	3,852,158

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

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Corporate lending

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

GROUP				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	1,842,800	-	-	1,842,800
Especially mentioned	-	210,471	-	210,471
Sub-standard	-	-	43,742	43,742
Doubtful	-	-	40,468	40,468
Loss	-	-	2,666	2,666
Gross Carrying amount	1,842,800	210,471	86,876	2,140,147
ECL allowance	(21,674)	(22,582)	(38,281)	(82,537)
Net Loans and advances to customers	1,821,126	187,889	48,595	2,057,610
31 December 2020				
Current	1,152,644	-	-	1,152,644
Especially mentioned	-	221,670	-	221,670
Sub-standard	-	-	53,871	53,871
Doubtful	-	-	22,327	22,327
Loss	-	-	33,688	33,688
Gross Carrying amount	1,152,644	221,670	109,886	1,484,200
ECL allowance	(1,873)	(1,309)	(64,334)	(67,516)
Net Loans and advances to customers	1,150,771	220,361	45,552	1,416,684

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

SME lending

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

GROUP				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	467,675	-	-	467,675
Especially mentioned	-	58,235	-	58,235
Sub-standard	-	-	17,181	17,181
Doubtful	-	-	8,755	8,755
Loss	-	-	9,224	9,224
Gross Carrying amount	467,675	58,235	35,160	561,070
ECL allowance	(437)	(1,197)	(7,882)	(9,516)
Net Loans and advances to customers	467,238	57,038	27,278	551,554
31 December 2020				
Current	371,053	-	-	371,053
Especially mentioned	-	69,103	-	69,103
Sub-standard	-	-	12,149	12,149
Doubtful	-	-	11,558	11,558
Loss	-	-	11,803	11,803
Gross Carrying amount	371,053	69,103	35,510	475,666
ECL allowance	(3,815)	(1,568)	(9,553)	(14,936)
Net Loans and advances to customers	367,238	67,535	25,957	460,730

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Microfinance lending

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

GROUP				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**106,286**	**-**	**-**	**106,286**
Especially mentioned	**-**	**3,159**	**-**	**3,159**
Sub-standard	**-**	**-**	**1,657**	**1,657**
Doubtful	**-**	**-**	**1,107**	**1,107**
Loss	**-**	**-**	**1,005**	**1,005**
Gross Carrying amount	**106,286**	**3,159**	**3,769**	**113,214**
ECL allowance	**(27)**	**(11)**	**(451)**	**(435)**
Net Loans and advances to customers	**106,313**	**3,148**	**3,318**	**112,779**
31 December 2020				
Current	78,765	-	-	78,767
Especially mentioned	-	2,037	-	2,037
Sub-standard	-	-	457	457
Doubtful	-	-	649	649
Loss	-	-	419	419
Gross Carrying amount	78,765	2,037	1,525	82,327
ECL allowance	(1,966)	(10)	(389)	(2,365)
Net Loans and advances to customers	76,799	2,027	1,136	79,962

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Mortgage lending

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

GROUP				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**47,569**	**-**	**-**	**47,570**
Especially mentioned	**-**	**5,709**	**-**	**5,708**
Sub-standard	**-**	**-**	**1,606**	**1,606**
Doubtful	**-**	**-**	**1,416**	**1,416**
Loss	**-**	**-**	**645**	**645**
Gross Carrying amount	**47,569**	**5,709**	**3,667**	**56,945**
ECL allowance	**(53)**	**(232)**	**(464)**	**(749)**
Net Loans and advances to customers	**47,516**	**5,477**	**3,203**	**56,196**
31 December 2020				
Current	38,534	-	-	38,550
Especially mentioned	-	7,882	-	7,883
Sub-standard	-	-	2,391	2,391
Doubtful	-	-	798	798
Loss	-	-	1,009	1,009
Gross Carrying amount	38,534	7,882	4,198	50,614
ECL allowance	(619)	(425)	(361)	(1,405)
Net Loans and advances to customers	37,915	7,457	3,837	49,209

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Personal lending

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

GROUP				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	2,261,006	-	-	2,261,006
Especially mentioned	-	15,444	-	15,444
Sub-standard	-	-	9,264	9,264
Doubtful	-	-	10,458	10,458
Loss	-	-	7,714	7,714
Gross Carrying amount	2,261,006	15,444	27,436	2,303,886
ECL allowance	(19,551)	(3,199)	(18,906)	(41,656)
Net Loans and advances to customers	2,241,455	12,245	8,530	2,262,230
As at 31 December 2020				
Current	1,930,869	-	-	1,930,869
Especially mentioned	-	24,122	-	24,122
Sub-standard	-	-	9,717	9,717
Doubtful	-	-	9,086	9,086
Loss	-	-	9,003	9,003
Gross Carrying amount	1,930,869	24,122	27,806	1,982,797
ECL allowance	(30,472)	(8,968)	(20,846)	(60,286)
Net Loans and advances to customers	1,900,397	15,154	6,960	1,922,511

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Corporate lending

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

BANK				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**1,795,322**	**-**	**-**	**1,795,322**
Especially mentioned	**-**	**209,722**	**-**	**209,722**
Sub-standard	**-**	**-**	**43,726**	**43,726**
Doubtful	**-**	**-**	**40,334**	**40,334**
Loss	**-**	**-**	**2,666**	**2,666**
Gross Carrying amount	**1,795,322**	**209,722**	**86,726**	**2,091,770**
ECL allowance	**(21,666)**	**(22,578)**	**(38,269)**	**(82,513)**
Net Loans and advances to customers	**1,773,656**	**187,144**	**48,457**	**2,009,257**
31 December 2020				
Current	1,147,122	-	-	1,147,122
Especially mentioned	-	220,734	-	220,734
Sub-standard	-	-	53,446	53,446
Doubtful	-	-	22,193	22,193
Loss	-	-	34,063	34,063
Gross Carrying amount	1,147,122	220,734	109,702	1,477,558
ECL allowance	(1,786)	(1,307)	(63,982)	(67,075)
Net Loans and advances to customers	1,145,336	219,427	45,720	1,410,483

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

SME lending

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

BANK				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**464,471**	**-**	**-**	**464,471**
Especially mentioned	**-**	**57,908**	**-**	**57,908**
Sub-standard	**-**	**-**	**16,855**	**16,855**
Doubtful	**-**	**-**	**8,755**	**8,755**
Loss	**-**	**-**	**9,224**	**9,224**
Gross Carrying amount	**464,471**	**57,908**	**34,834**	**557,213**
ECL allowance	**(408)**	**(1,185)**	**(7,777)**	**(9,370)**
Net Loans and advances to customers	**464,063**	**56,723**	**27,057**	**547,843**
As at 31 December 2020				
Current	369,249	-	-	369,249
Especially mentioned	-	69,080	-	69,642
Sub-standard	-	-	12,133	12,133
Doubtful	-	-	11,558	11,558
Loss	-	-	11,637	11,637
Gross Carrying amount	369,249	69,080	35,328	473,657
ECL allowance	(3,816)	(1,571)	(9,552)	(14,939)
Net Loans and advances to customers	365,433	67,509	25,776	458,718

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Microfinance lending

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

BANK				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**96,507**	**-**	**-**	**96,507**
Especially mentioned	**-**	**3,159**	**-**	**3,159**
Sub-standard	**-**	**-**	**1,655**	**1,655**
Doubtful	**-**	**-**	**1,107**	**1,107**
Loss	**-**	**-**	**1,005**	**1,005**
Gross Carrying amount	**96,507**	**3,159**	**3,767**	**103,433**
ECL allowance	**(16)**	**(5)**	**(385)**	**(406)**
Net Loans and advances to customers	**96,491**	**3,154**	**3,382**	**103,027**
31 December 2020				
Current	71,271	-	-	71,271
Especially mentioned	-	2,037	-	2,037
Sub-standard	-	-	457	457
Doubtful	-	-	649	649
Loss	-	-	418	418
Gross Carrying amount	71,271	2,037	1,524	74,832
ECL allowance	(1,954)	(4)	(388)	(2,346)
Net Loans and advances to customers	69,317	2,033	1,136	72,486

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Mortgage lending

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

BANK				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**47,569**	**-**	**-**	**47,569**
Especially mentioned	**-**	**5,709**	**-**	**5,709**
Sub-standard	**-**	**-**	**1,606**	**1,606**
Doubtful	**-**	**-**	**1,416**	**1,416**
Loss	**-**	**-**	**645**	**645**
Gross Carrying amount	**47,569**	**5,709**	**3,667**	**56,945**
ECL allowance	**(51)**	**(232)**	**(466)**	**(749)**
Net Loans and advances to customers	**47,518**	**5,477**	**3,201**	**56,196**
31 December 2020				
Current	32,367	-	-	32,367
Especially mentioned	-	7,882	-	7,882
Sub-standard	-	-	2,391	2,391
Doubtful	-	-	798	798
Loss	-	-	1,009	1,009
Gross Carrying amount	32,367	7,882	4,198	44,447
ECL allowance	(619)	(425)	(361)	(1,405)
Net Loans and advances to customers	31,748	7,457	3,837	43,042

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Personal lending

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

BANK				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**2,186,520**	**-**	**-**	**2,186,520**
Especially mentioned	**-**	**15,014**	**-**	**15,014**
Sub-standard	**-**	**-**	**9,104**	**9,104**
Doubtful	**-**	**-**	**10,458**	**10,458**
Loss	**-**	**-**	**7,714**	**7,714**
Gross Carrying amount	**2,186,520**	**15,014**	**27,276**	**2,228,810**
ECL allowance	**(19,584)**	**(3,199)**	**(18,902)**	**(41,685)**
Net Loans and advances to customers	**2,166,936**	**11,815**	**8,374**	**2,187,125**
31 December 2020				
Current	1,876,171	-	-	1,876,171
Especially mentioned	-	24,392	-	24,391
Sub-standard	-	-	9,397	9,397
Doubtful	-	-	9,058	9,058
Loss	-	-	8,783	8,783
Gross Carrying amount	1,876,171	24,392	27,238	1,927,801
ECL allowance	(30,556)	(8,972)	(20,844)	(60,372)
Net Loans and advances to customers	1,845,615	15,420	6,394	1,867,429

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

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

Loans and advances to customers at amortised cost

GROUP				In TZS' Million
31 December 2021	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2021	**3,571,865**	**324,813**	**178,924**	**4,075,602**
Changes in the gross carrying amount				
– Transfer to stage 1	**26,026**	**(19,539)**	**(6,487)**	**-**
– Transfer to stage 2	**(54,020)**	**57,548**	**(3,528)**	**-**
– Transfer to stage 3	**(33,952)**	**(20,278)**	**54,230**	**-**
New financial assets originated or purchased	**2,966,503**	**-**	**-**	**2,966,503**
Financial assets that have been derecognized	**(1,874,490)**	**(41,384)**	**(30,330)**	**(1,946,204)**
remeasurement of year end ECL effect of modification	**76,271**	**(14,698)**	**18,169**	**79,742**
Accrued Interest	**47,133**	**6,556**	**12,332**	**66,021**
Write-offs	**-**	**-**	**(66,402)**	**(66,402)**
Gross carrying amount as at 31 December 2021	**4,725,336**	**293,018**	**156,908**	**5,175,262**
Loss allowance as at 31 December 2021	**41,689**	**27,221**	**65,984**	**134,894**
Gross carrying amount as at 1 January 2020	3,211,206	129,312	200,577	3,541,095
Changes in the gross carrying amount				
– Transfer to stage 1	53,682	(39,582)	(14,100)	-
– Transfer to stage 2	(234,030)	244,285	(10,255)	-
– Transfer to stage 3	(92,145)	(19,760)	111,905	-
New financial assets originated or purchased	715,231	27,199	3,254	745,684
Payments received and financial assets derecognised	(91,950)	(30,690)	(18,280)	(140,920)
Effects of modification	(37,107)	5,645	-	(31,462)
Accrued interest	46,978	8,405	5,920	61,303
Write-offs	-	-	(100,096)	(100,096)
Gross carrying amount as at 31 December 2020	3,571,865	324,814	178,925	4,075,604
Loss allowance as at 31 December 2020	38,745	12,280	95,483	146,508

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

An analysis of changes in the corresponding ECL allowances for the Group is, as follows:

Loss allowances - Loans and advances to customers at amortised cost.

GROUP				In TZS' Million
31 December 2021	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2021	38,745	12,280	95,483	146,508
Changes in the loss allowance	-	-	-	
– Transfer to stage 1	4,837	(3,321)	(1,516)	-
– Transfer to stage 2	(501)	1,963	(1,462)	-
– Transfer to stage 3	(385)	(2,260)	2,645	-
– Write-offs	-	-	(66,402)	(66,402)
New financial assets originated or purchased	81,417	-	-	81,417
Financial assets that have been derecognised	(24,267)	(15,537)	(10,117)	(49,921)
Unwind discount	4,057	331	1,908	6,296
Impact on ECL Transfers	2,366	3,953	13,887	20,206
Effects of modification	102	(3,339)	24,239	21,002
Changes in models/risk parameters	(64,682)	33,151	7,319	(24,212)
Loss allowance as at 31 December 2021	41,689	27,221	65,984	134,894
Loss allowance as at 1 January 2020	46,446	10,704	101,921	159,071
Changes in the loss allowance				
– Transfer to stage 1	9,053	(10.55,393)	(3,660)	-
– Transfer to stage 2	(3,166)	4,222	(1,056)	-
– Transfer to stage 3	(2,837)	(2,271)	5,108	-
– Write-offs	-	-	63,653	63,653
New financial assets originated or purchased	22,803	22	36	22,861
Financial assets that have been derecognised	(45,716)	(6,578)	(107,000)	(159,294)
Unwind discount	4,760	619	8,067	13,444
Impact on ECL Transfers	87,346	(5,317)	(44,851)	37,178
Effects of modification	(174)	(22)	-	(196)
Changes in models/risk parameters	(79,770)	16,294	73,265	9,594
Loss allowance as at 31 December 2020	38,745	12,280	95,483	146,508

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

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

Loans and advances to customers at amortised cost

BANK				In TZS' Million
31 December 2021	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2021	3,496,180	324,125	177,990	3,998,295
Changes in the gross carrying amount				
– Transfer to stage 1	33,858	(27,514)	(6,344)	-
– Transfer to stage 2	(53,937)	57,174	(3,237)	-
– Transfer to stage 3	(33,646)	(18,278)	51,924	-
New financial assets originated or purchased	2,808,321	-	-	2,808,321
Payments received and financial assets derecognised	(1,780,143)	(35,852)	(28,205)	(1,844,200)
Effects of modification	76,271	(14,699)	18,168	79,740
Accrued interest	43,485	6,556	12,332	62,373
Write-offs	-	-	(66,358)	(66,358)
Gross carrying amount as at 31 December 2021	4,590,389	291,512	156,270	5,038,171
Loss allowance as at 31 December 2021	41,725	27,200	65,798	134,723
Gross carrying amount as at 1 January 2020	3,155,646	128,895	199,707	3,484,248
Changes in the gross carrying amount				
– Transfer to stage 1	52,754	(38,852)	(13,902)	-
– Transfer to stage 2	(228,871)	238,822	(9,951)	-
– Transfer to stage 3	(92,039)	(19,623)	111,662	-
New financial assets originated or purchased	678,415	27,536	3,180	644,131
Payments received and financial assets derecognised	(81,774)	(26,703)	(18,147)	(78,624)
Effects of modification	(31,483)	5,645	-	(5,838)
Accrued interest	43,532	8,405	4,886	53,823
Write-offs	-	-	(99,445)	(99,445)
Gross carrying amount as at 31 December 2020	3,496,180	324,125	177,990	3,998,295
Loss allowance as at 31 December 2020	38,731	12,279	95,127	146,137

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

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

Loss allowances - Loans and advances to customers at amortised cost

BANK				In TZS' Million
31 December 2021	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2021	38,731	12,279	95,127	146,137
Changes in the loss allowance	-	-	-	
– Transfer to stage 1	4,829	(3,320)	(1,509)	-
– Transfer to stage 2	(503)	1,745	(1,242)	-
– Transfer to stage 3	(380)	(2,260)	2,640	-
– Write-offs	-	-	(66,358)	(66,358)
New financial assets originated or purchased	96,707	-	-	96,707
Financial assets that have been derecognised	(27,713)	(4,708)	(8,074)	(40,495)
Unwind discount	4,047	279	1,800	6,126
Impact on ECL Transfers	(20,181)	4,138	11,859	(4,184)
Effects of modification	102	(3,339)	24,239	21,002
Changes in models/risk parameters	(53,914)	22,386	7,316	(24,212)
Loss allowance as at 31 December 2021	**41,725**	**27,200**	**65,798**	**134,723**
Loss allowance as at 1 January 2020	46,258	10,701	101,676	158,635
Changes in the loss allowance				
– Transfer to stage 1	8,814	(5,391)	(3,423)	-
– Transfer to stage 2	(3,166)	4,219	(1,053)	-
– Transfer to stage 3	(2,837)	(2,270)	5,108	-
– Write-offs	-	-	63,715	63,715
New financial assets originated or purchased	22,802	22	35	22,860
Financial assets that have been derecognised	(45,711)	(6,578)	(106,996)	(159,285)
Unwind discount	4,730	618	8,066	13,414
Impact on ECL Transfers	87,754	(5,314)	(45,205)	37,235
Effects of modification	(174)	(22)	-	(196)
Changes in models/risk parameters	(79,913)	16,272	73,204	9,563
Loss allowance as at 31 December 2020	38,731	12,279	95,127	146,137

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Corporate lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Corporate lending is, as follows:

Loans and advances to customers at amortised cost

GROUP 31 December 2021	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Gross carrying amount as at 1 January 2021	**1,152,644**	**221,670**	**109,886**	**1,484,200**
Changes in the gross carrying amount				
– Transfer to stage 1	**14,377**	**(14,377)**	**-**	**-**
– Transfer to stage 2	**(36,537)**	**38,302**	**(1,765)**	**-**
– Transfer to stage 3	**(9,203)**	**(10,041)**	**19,244**	**-**
New financial assets originated or purchased	**1,232,698**	**-**	**-**	**1,232,698**
Payments received and financial assets derecognised	**(561,949)**	**(29,317)**	**(17,854)**	**(609,120)**
Effects of modification	**30,547**	**366**	**14,331**	**45,244**
Accrued interest	**20,223**	**3,868**	**3,705**	**27,796**
Write-offs	**-**	**-**	**(40,671)**	**(40,671)**
Gross carrying amount as at 31 December 2021	**1,842,800**	**210,471**	**86,876**	**2,140,147**
Loss allowance as at 31 December 2021	**21,674**	**22,582**	**38,281**	**82,537**
Gross carrying amount as at 1 January 2020	1,169,262	86,535	133,149	1,388,946
Changes in the gross carrying amount				
– Transfer to stage 1	32,370	(26,654)	(5,716)	-
– Transfer to stage 2	(156,461)	164,489	(8,028)	-
– Transfer to stage 3	(43,422)	(8,115)	51,537	-
New financial assets originated or purchased	203,606	19,800	2,404	226,580
Payments received and financial assets derecognised	(38,012)	(24,899)	(4,551)	(68,232)
Effects of modification	(37,107)	5,645	-	(31,462)
Accrued interest	22,408	4,869	1,518	28,795
Write-offs	-	-	(60,427)	(60,427)
Gross carrying amount as at 31 December 2020	1,152,644	221,670	109,886	1,484,200
Loss allowance as at 31 December 2020	1,873	1,309	64,334	67,516

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Corporate lending (continued)

Loss allowances - Loans and advances to customers at amortised cost

GROUP				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January 2020	**1,873**	**1,309**	**64,334**	**67,516**
Changes in the loss allowance				
– Transfer to stage 1	**75**	**(75)**	**-**	**-**
– Transfer to stage 2	**(260)**	**984**	**(724)**	**-**
– Transfer to stage 3	**(10)**	**(603)**	**613**	**-**
– Write-offs	**-**	**-**	**(40,671)**	**(40,671)**
New financial assets originated or purchased	**52,087**	**-**	**-**	**52,087**
Payments received and financial assets derecognised	**(9,461)**	**(2403)**	**(7,620)**	**(19,484)**
Unwind discount	**268**	**104**	**566**	**938**
Impact on ECL Transfers	**(3,767)**	**4,019**	**1,080**	**1,332**
Effects of modification	**150**	**(54)**	**22,357**	**22,453**
Changes in models/risk parameters	**(19,281)**	**19,301**	**(1,654)**	**(1,634)**
Loss allowance as at 31 December 2020	**21,674**	**22,582**	**38,281**	**82,537**
Loss allowance as at 1 January 2020	17,060	6,270	71,926	95,256
Changes in the loss allowance				
– Transfer to stage 1	4,235	(3,937)	(298)	-
– Transfer to stage 2	(2,229)	2,668	(439)	-
– Transfer to stage 3	(2,078)	(937)	3,015	-
– Write-offs	-	-	50,640	50,640
New financial assets originated or purchased	7,772	-	-	7,772
Payments received and financial assets derecognised	(36,908)	-	(70,083)	(106,991)
Unwind discount	956	325	6,680	7,961
Impact on ECL Transfers	55,341	(3,341)	(29,353)	22,647
Effects of modification	(174)	(22)	-	(196)
Changes in models/risk parameters	(42,102)	283	32,246	(9,573)
Loss allowance as at 31 December 2020	1,873	1,309	64,334	67,516

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

SME lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to SME lending is, as follows:

Loans and advances to customers at amortised cost

GROUP				In TZS' Million
31 December 2021	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2021	**371,053**	**69,103**	**35,510**	**475,666**
Changes in the gross carrying amount				
– Transfer to stage 1	**5,762**	**(2,284)**	**(3,478)**	**-**
– Transfer to stage 2	**(6,726)**	**8,234**	**(1,508)**	**-**
– Transfer to stage 3	**(6,703)**	**(4,910)**	**11,613**	**-**
New financial assets originated or purchased	**382,999**	**-**	**-**	**382,999**
Payments received and financial assets derecognised	**(296,410)**	**(4,891)**	**(3,705)**	**(305,006)**
Effects of modification	**10,172**	**(9,145)**	**2,141**	**3,168**
Accrued interest	**7,528**	**2,128**	**4,504**	**14,160**
Write-offs	**-**	**-**	**(9,917)**	**(9,917)**
Gross carrying amount as at 31 December 2021	**467,675**	**58,235**	**35,160**	**561,070**
Loss allowance as at 31 December 2021	**437**	**1,197**	**7,882**	**9,516**
Gross carrying amount as at 1 January 2020	401,941	29,246	37,021	468,208
Changes in the gross carrying amount				
– Transfer to stage 1	11,977	(7,533)	(4,444)	-
– Transfer to stage 2	(49,976)	50,973	(997)	-
– Transfer to stage 3	(22,142)	(7,762)	29,904	-
New financial assets originated or purchased	87,539	1,655	-	89,194
Payments received and financial assets derecognised	(65,452)	(148)	(7,048)	(72,648)
Effects of modification	-	-	-	-
Accrued interest	7,166	2,672	3,934	13,772
Write-offs	-	-	(22,860)	(22,860)
Gross carrying amount as at 31 December 2020	371,053	69,103	35,510	475,666
Loss allowance as at 31 December 2020	3,815	1,568	9,553	14,936

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

SME lending (continued)

Loss allowances - Loans and advances to customers at amortised cost

GROUP				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January 2021	**3,815**	**1,568**	**9,553**	**14,936**
Changes in the loss allowance				
– Transfer to stage 1	**356**	**(175)**	**(181)**	**-**
– Transfer to stage 2	**(68)**	**705**	**(637)**	**-**
– Transfer to stage 3	**(58)**	**(224)**	**282**	**-**
– Write-offs	**-**	**-**	**(9,917)**	**(9,917)**
New financial assets originated or purchased	**10,780**	**-**	**-**	**10,780**
Payments received and financial assets derecognised	**(3,368)**	**(973)**	**(427)**	**(4,768)**
Unwind discount	**152**	**122**	**357**	**631**
Impact on ECL Transfers	**(911)**	**(963)**	**2,857**	**983**
Effects of modification	**(75)**	**(778)**	**841**	**(12)**
Changes in models/risk parameters	**(10,186)**	**1,915**	**5,154**	**(3,117)**
Loss allowance as at 31 December 2021	**437**	**1,197**	**7,882**	**9,516**
Loss allowance as at 1 January 2020	1,589	822	10,192	12,603
Changes in the loss allowance				
– Transfer to stage 1	1,357	(289)	(1,068)	-
– Transfer to stage 2	(354)	399	(45)	-
– Transfer to stage 3	(167)	(199)	366	-
– Write-offs	-	-	7,970	7,970
New financial assets originated or purchased	2,163	7	1	2,171
Payments received and financial assets derecognised	(4,430)	(4,018)	(22,152)	(30,600)
Unwind discount	151	112	398	661
Impact on ECL Transfers	10,522	(667)	(2,465)	7,390
Changes in models/risk parameters	(7,016)	5,401	16,356	14,741
Loss allowance as at 31 December 2020	3,815	1,568	9,553	14,936

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Microfinance lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Microfinance lending is, as follows:

Loans and advances to customers at amortised cost

GROUP				In TZS' Million
31 December 2021	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2021	**78,765**	**2,037**	**1,525**	**82,327**
Changes in the gross carrying amount				
– Transfer to stage 1	**258**	**(109)**	**(149)**	**-**
– Transfer to stage 2	**(2,148)**	**2,245**	**(97)**	**-**
– Transfer to stage 3	**(5,087)**	**(902)**	**5,989**	**-**
New financial assets originated or purchased	**100,821**	**-**	**-**	**100,821**
Payments received and financial assets derecognised	**(67,501)**	**(499)**	**(4,242)**	**(72,242)**
Effects of modification	**290**	**267**	**151**	**708**
Accrued interest	**888**	**120**	**617**	**1,625**
Write-offs	**-**	**-**	**(25)**	**(25)**
Gross carrying amount as at 31 December 2021	**106,286**	**3,159**	**3,769**	**113,214**
Loss allowance as at 31 December 2021	**(27)**	**11**	**451**	**435**
Gross carrying amount as at 1 January 2020	38,441	298	163	38,902
Changes in the gross carrying amount				
– Transfer to stage 1	30	(22)	(8)	-
– Transfer to stage 2	(1,093)	1,126	(33)	-
– Transfer to stage 3	(1,245)	(153)	1,398	-
New financial assets originated or purchased	43,383	835	248	44,466
Payments received and financial assets derecognised	(1,484)	(144)	(272)	(1,900)
Effects of modification	-	-	-	-
Accrued interest	733	97	174	1,004
Write-offs	-	-	(145)	(145)
Gross carrying amount as at 31 December 2020	78,765	2,037	1,525	82,327
Loss allowance as at 31 December 2020	1,966	10	389	2,365

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Microfinance lending (continued)

Loss allowances - Loans and advances to customers at amortised cost

GROUP 31 December 2021	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Loss allowance as at 1 January 2021	**1,966**	**10**	**389**	**2,365**
Changes in the loss allowance				
– Transfer to stage 1	**40**	**(17)**	**(23)**	**-**
– Transfer to stage 2	**(7)**	**29**	**(22)**	**-**
– Transfer to stage 3	**(37)**	**(8)**	**45**	**-**
– Write-offs	**-**	**-**	**(25)**	**(25)**
New financial assets originated or purchased	**131**	**-**	**-**	**131**
Payments received and financial assets derecognised	**(1,835)**	**(30)**	**(21)**	**(1,886)**
Unwind discount	**3**	**15**	**53**	**71**
Impact on ECL Transfers	**(270)**	**(6)**	**93**	**(183)**
Effects of modification	**(2)**	**1**	**15**	**14**
Changes in models/risk parameters	**(16)**	**17**	**(53)**	**(52)**
Loss allowance as at 31 December 2021	**(27)**	**11**	**451**	**435**
Loss allowance as at 1 January 2020	420	7	5	432
Changes in the loss allowance				
– Transfer to stage 1	4	(3)	(1)	-
– Transfer to stage 2	(1)	6	(5)	-
– Transfer to stage 3	(3)	(1)	4	-
– Write-offs	-	-	4	4
New financial assets originated or purchased	1,314	4	1	1,321
Payments received and financial assets derecognised	(19)	(36)	(94)	(149)
Unwind discount	16	-	1	17
Impact on ECL Transfers	607	(3)	(5)	599
Changes in models/risk parameters	(372)	35	478	141
Foreign exchange and other movements	-	-	-	-
Loss allowance as at 31 December 2020	1,966	10	389	2,365

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Mortgage lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to mortgage lending is, as follows:

Loans and advances to customers at amortised cost

GROUP 31 December 2021	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Gross carrying amount as at 1 January 2021	**38,534**	**7,882**	**4,198**	**50,614**
Changes in the gross carrying amount				
– Transfer to stage 1	**2,711**	**(1,801)**	**(910)**	**-**
– Transfer to stage 2	**(1,537)**	**1,589**	**(52)**	**-**
– Transfer to stage 3	**(1,554)**	**(667)**	**2,221**	**-**
New financial assets originated or purchased	**23,707**	**-**	**-**	**23,707**
Payments received and financial assets derecognised	**(16,020)**	**(692)**	**(1,390)**	**(18,102)**
Effects of modification	**1,118**	**(659)**	**(424)**	**35**
Accrued interest	**610**	**57**	**313**	**980**
Write-offs	**-**	**-**	**(289)**	**(289)**
Gross carrying amount as at 31 December 2021	**47,569**	**5,709**	**3,667**	**56,945**
Loss allowance as at 31 December 2021	**53**	**232**	**464**	**749**
Gross carrying amount as at 1 January 2020	37,308	1,427	3,651	42,386
Changes in the gross carrying amount				
– Transfer to stage 1	1,886	(721)	(1,165)	-
– Transfer to stage 2	(6,425)	6,672	(247)	-
– Transfer to stage 3	(2,468)	(276)	2,744	-
New financial assets originated or purchased	8,081	784	-	8,095
Payments received and financial assets derecognised	(235)	(150)	(416)	(31)
Effects of modification	-	-	-	-
Accrued interest	387	146	-	533
Write-offs	-	-	(369)	(369)
Gross carrying amount as at 31 December 2020	38,534	7,882	4,198	50,614
Loss allowance as at 31 December 2020	619	425	361	1,405

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Mortgage lending (continued)

Loss allowances - Loans and advances to customers at amortised cost

GROUP				In TZS' Million
31 December 2021	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2021	**619**	**425**	**361**	**1,405**
Changes in the loss allowance				
– Transfer to stage 1	**61**	**(41)**	**(20)**	**-**
– Transfer to stage 2	**(1)**	**2**	**(1)**	**-**
– Transfer to stage 3	**(1)**	**(1)**	**2**	**-**
– Write-offs	**-**	**-**	**(289)**	**(289)**
New financial assets originated or purchased	**270**	**-**	**-**	**270**
Payments received and financial assets derecognised	**(696)**	**(158)**	**(84)**	**(938)**
Unwind discount	**15**	**8**	**55**	**78**
Impact on ECL Transfers	**(94)**	**53**	**277**	**236**
Effects of modification	**1**	**(123)**	**218**	**96**
Changes in models/risk parameters	**(121)**	**67**	**(55)**	**(109)**
Loss allowance as at 31 December 2021	**53**	**232**	**464**	**749**
Loss allowance as at 1 January 2020	118	77	1,047	1,242
Changes in the loss allowance				
– Transfer to stage 1	560	(60)	(500)	-
– Transfer to stage 2	(41)	73	(32)	-
– Transfer to stage 3	(16)	-	16	-
– Write-offs	-	-	507	507
New financial assets originated or purchased	217	-	-	217
Payments received and financial assets derecognised	-	-	(876)	(876)
Unwind discount	64	11	47	122
Impact on ECL Transfers	556	(91)	(240)	225
Changes in models/risk parameters	(839)	415	392	(32)
Loss allowance as at 31 December 2020	619	425	361	1,405

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Personal lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to personal lending is, as follows:

Loans and advances to customers at amortised cost

GROUP				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2021	**1,930,869**	**24,122**	**27,806**	**1,982,797**
Changes in the gross carrying amount				
– Transfer to stage 1	**2,918**	**(968)**	**(1,950)**	**-**
– Transfer to stage 2	**(7,072)**	**7,178**	**(106)**	**-**
– Transfer to stage 3	**(11,405)**	**(3,758)**	**15,163**	**-**
New financial assets originated or purchased	**1,226,278**	**-**	**-**	**1,226,278**
Payments received and financial assets derecognised	**(932,610)**	**(5,985)**	**(3,139)**	**(941,734)**
Effects of modification	**34,144**	**(5,528)**	**1,969**	**30,585**
Accrued interest	**17,884**	**383**	**3,193**	**21,460**
Write-offs	**-**	**-**	**(15,500)**	**(15,500)**
Gross carrying amount as at 31 December 2021	**2,261,006**	**15,444**	**27,436**	**2,303,886**
Loss allowance as at 31 December 2021	**19,552**	**3,199**	**18,906**	**41,657**
Gross carrying amount as at 1 January 2020	1,564,254	11,806	26,593	1,602,653
Changes in the gross carrying amount				
– Transfer to stage 1	7,419	(4,652)	(2,767)	-
– Transfer to stage 2	(20,075)	21,025	(950)	-
– Transfer to stage 3	(22,868)	(3,454)	26,322	-
New financial assets originated or purchased	372,622	4,125	602	377,349
Payments received and financial assets derecognised	13,233	(5,349)	(5,993)	1,891
Effects of modification	-	-	-	-
Accrued interest	16,284	621	294	17,199
Write-offs	-	-	(16,295)	(16,295)
Gross carrying amount as at 31 December 2020	1,930,869	24,122	27,806	1,982,797
Loss allowance as at 31 December 2020	30,472	8,968	20,846	60,286

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Personal lending (continued)

Loss allowances - Loans and advances to customers at amortised cost

GROUP				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January 2021	**30,472**	**8,968**	**20,846**	**60,286**
Changes in the loss allowance				
– Transfer to stage 1	**4,305**	**(3,013)**	**(1,292)**	**-**
– Transfer to stage 2	**(165)**	**243**	**(78)**	**-**
– Transfer to stage 3	**(279)**	**(1,424)**	**1,703**	**-**
– Write-offs	**-**	**-**	**(15,500)**	**(15,500)**
New financial assets originated or purchased	**18,149**	**-**	**-**	**18,149**
Payments received and financial assets derecognised	**(8,907)**	**(11,973)**	**(1,965)**	**(22,845)**
Unwind discount	**3,619**	**82**	**877**	**4,578**
Impact on ECL Transfers	**7,408**	**850**	**9,580**	**17,838**
Effects of modification	**28**	**(2,385)**	**808**	**(1,549)**
Changes in models/risk parameters	**(35,078)**	**11,851**	**3,927**	**(19,300)**
Loss allowance as at 31 December 2021	**19,552**	**3,199**	**18,906**	**41,657**
Loss allowance as at 1 January 2020	27,259	3,528	18,751	49,538
Changes in the loss allowance				
– Transfer to stage 1	2,897	(1,104)	(1,793)	-
– Transfer to stage 2	(541)	1,076	(535)	-
– Transfer to stage 3	(573)	(1,134)	1,707	-
– Write-offs	-	-	4,533	4,533
New financial assets originated or purchased	11,336	10	33	11,379
Payments received and financial assets derecognised	(4,359)	(2,524)	(13,795)	(20,678)
Unwind discount	3,573	171	940	4,684
Impact on ECL Transfers	20,320	(1,215)	(12,788)	6,317
Changes in models/risk parameters	(29,440)	10,160	23,793	4,513
Loss allowance as at 31 December 2020	30,472	8,968	20,846	60,286

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Corporate lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to corporate lending is, as follows:

Loans and advances to customers at amortised cost

BANK				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2021	**1,147,122**	**220,734**	**109,702**	**1,477,558**
Changes in the gross carrying amount				
– Transfer to stage 1	**14,377**	**(14,377)**	**-**	**-**
– Transfer to stage 2	**(36,537)**	**38,012**	**(1,475)**	**-**
– Transfer to stage 3	**(9,202)**	**(9,542)**	**18,744**	**-**
New financial assets originated or purchased	**1,200,650**	**-**	**-**	**1,200,650**
Payments received and financial assets derecognised	**(568,210)**	**(29,339)**	**(17,611)**	**(615,160)**
Effects of modification	**30,547**	**366**	**14,331**	**45,244**
Accrued interest	**16,575**	**3,868**	**3,705**	**24,148**
Write-offs	**-**	**-**	**(40,670)**	**(40,670)**
Gross carrying amount as at 31 December 2021	**1,795,322**	**209,722**	**86,726**	**2,091,770**
Loss allowance as at 31 December 2021	**21,666**	**22,578**	**38,271**	**82,515**
Gross carrying amount as at 1 January 2020	1,159,951	86,118	133,102	1,379,171
Changes in the gross carrying amount				
– Transfer to stage 1	32,481	(26,654)	(5,827)	-
– Transfer to stage 2	(151,898)	159,675	(7,777)	-
– Transfer to stage 3	(44,007)	(8,016)	52,023	-
New financial assets originated or purchased	194,108	20,552	1,382	216,042
Payments received and financial assets derecognised	(30,992)	(21,403)	(6,897)	(59,292)
Effects of modification	(31,483)	5,645	-	(25,838)
Accrued interest	18,962	4,817	3,921	27,700
Write-offs	-	-	(60,225)	(60,225)
Gross carrying amount as at 31 December 2020	1,147,122	220,734	109,702	1,477,558
Loss allowance as at 31 December 2020	1,786	1,307	63,982	67,075

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Corporate lending (continued)

Loss allowances - Loans and advances to customers at amortised cost

BANK 31 December 2021	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Loss allowance as at 1 January 2021	**1,786**	**1,307**	**63,982**	**67,075**
Changes in the loss allowance				
– Transfer to stage 1	**75**	**(75)**	**-**	**-**
– Transfer to stage 2	**(260)**	**766**	**(506)**	**-**
– Transfer to stage 3	**(9)**	**(603)**	**612**	**-**
– Write-offs	**-**	**-**	**(40,670)**	**(40,670)**
New financial assets originated or purchased	**52,077**	**-**	**-**	**52,077**
Payments received and financial assets derecognised	**(9,365)**	**(2,150)**	**(7,485)**	**(19,002)**
Unwind discount	**267**	**67**	**566**	**900**
Impact on ECL Transfers	**(3,774)**	**4,019**	**1,069**	**1,314**
Effects of modification	**150**	**(54)**	**22,357**	**22,453**
Changes in models/risk parameters	**(19,281)**	**19,301**	**(1,654)**	**(1,634)**
Loss allowance as at 31 December 2021	**21,666**	**22,578**	**38,271**	**82,515**
Loss allowance as at 1 January 2020	16,972	6,270	71,706	94,948
Changes in the loss allowance				
– Transfer to stage 1	4,017	(3,938)	(79)	-
– Transfer to stage 2	(2,229)	2,668	(439)	-
– Transfer to stage 3	(2,079)	(936)	3,015	-
– Write-offs	-	-	50,640	50,640
New financial assets originated or purchased	7,772	-	-	7,772
Payments received and financial assets derecognised	(36,908)		(70,082)	(106,990)
Unwind discount	942	324	6,680	7,946
Impact on ECL Transfers	55,559	(3,341)	(29,707)	22,511
Effects of modification	(174)	(22)	-	(196)
Changes in models/risk parameters	(42,086	228	32,248	(9,556)
Loss allowance as at 31 December 2020	1,786	1,307	63,982	67,075

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

SME lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to SME lending is, as follows:

Loans and advances to customers at amortised cost

BANK				In TZS' Million
31 December 2021	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2021	369,249	69,080	35,328	473,657
Changes in the gross carrying amount				
– Transfer to stage 1	7,205	(3,727)	(3,478)	-
– Transfer to stage 2	(6,725)	8,234	(1,509)	-
– Transfer to stage 3	(6,533)	(4,910)	11,443	-
New financial assets originated or purchased	370,857	-	-	370,857
Payments received and financial assets derecognised	(287,282)	(3,752)	(3,721)	(294,755)
Effects of modification	10,172	(9,145)	2,141	3,168
Accrued interest	7,528	2,128	4,504	14,160
Write-offs	-	-	(9,874)	(9,874)
Gross carrying amount as at 31 December 2021	464,471	57,908	34,834	557,213
Loss allowance as at 31 December 2021	408	1,186	7,776	9,370
Gross carrying amount as at 1 January 2020	400,924	29,246	36,856	467,026
Changes in the gross carrying amount				
– Transfer to stage 1	11,977	(7,533)	(4,444)	-
– Transfer to stage 2	(49,925)	50,922	(997)	-
– Transfer to stage 3	(21,891)	(7,762)	29,653	-
New financial assets originated or purchased	86,344	1,655	934	88,933
Payments received and financial assets derecognised	(65,346)	(120)	(4,572)	(70,038)
Effects of modification	-	-	-	-
Accrued interest	7,166	2,672	528	10,366
Write-offs	-	-	(22,630)	(22,630)
Gross carrying amount as at 31 December 2020	369,249	69,080	35,328	473,657
Loss allowance as at 31 December 2020	3,816	1,571	9,552	14,939

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

SME lending (continued)

Loss allowances - Loans and advances to customers at amortised cost

BANK				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January 2021	**3,816**	**1,571**	**9,552**	**14,939**
Changes in the loss allowance				
– Transfer to stage 1	**356**	**(175)**	**(181)**	**-**
– Transfer to stage 2	**(69)**	**705**	**(636)**	**-**
– Transfer to stage 3	**(55)**	**(224)**	**279**	**-**
– Write-offs	**-**	**-**	**(9,874)**	**(9,874)**
New financial assets originated or purchased	**8,652**	**-**	**-**	**8,652**
Payments received and financial assets derecognised	**(537)**	**(1,172)**	**(127)**	**(1,836)**
Unwind discount	**151**	**122**	**357**	**630**
Impact on ECL Transfers	**(75)**	**(778)**	**841**	**(12)**
Effects of modification	**(75)**	**(778)**	**841**	**(12)**
Changes in models/risk parameters	**(11,756)**	**1,915**	**6,724**	**(3,117)**
Loss allowance as at 31 December 2021	**408**	**1,186**	**7,776**	**9,370**
Loss allowance as at 1 January 2020	1,578	825	10,191	12,594
Changes in the loss allowance				
– Transfer to stage 1	1,357	(289)	(1,068)	-
– Transfer to stage 2	(354)	399	(45)	-
– Transfer to stage 3	(167)	(199)	366	-
– Write-offs	-	-	7,966	7,966
New financial assets originated or purchased	2,163	7	1	2,171
Payments received and financial assets derecognised	(4,426)	(4,018)	(22,152)	(30,596)
Unwind discount	150	112	398	660
Impact on ECL Transfers	10,530	(667)	(2,465)	7,398
Changes in models/risk parameters	(7,015)	5,401	16,360	14,746
Loss allowance as at 31 December 2020	3,816	1,571	9,552	14,939

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Microfinance lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Microfinance lending is, as follows:

Loans and advances to customers at amortised cost

BANK				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2021	**71,271**	**2,037**	**1,524**	**74,832**
Changes in the gross carrying amount				
– Transfer to stage 1	**258**	**(109)**	**(149)**	**-**
– Transfer to stage 2	**(2,148)**	**2,245**	**(97)**	**-**
– Transfer to stage 3	**(5,087)**	**(902)**	**5,989**	**-**
New financial assets originated or purchased	**92,675**	**-**	**-**	**92,675**
Payments received and financial assets derecognised	**(61,640)**	**(499)**	**(4,243)**	**(66,382)**
Effects of modification	**290**	**267**	**151**	**708**
Accrued interest	**888**	**120**	**617**	**1,625**
Write-offs	**-**	**-**	**(25)**	**(25)**
Gross carrying amount as at 31 December 2021	**96,507**	**3,159**	**3,767**	**103,433**
Loss allowance as at 31 December 2021	**16**	**5**	**385**	**406**
Gross carrying amount as at 1 January 2020	32,794	298	162	33,254
Changes in the gross carrying amount				
– Transfer to stage 1	30	(22)	(8)	-
– Transfer to stage 2	(1,093)	1,126	(33)	-
– Transfer to stage 3	(1,195)	(153)	1,348	-
New financial assets originated or purchased	41,486	835	305	42,626
Payments received and financial assets derecognised	(1,484)	(144)	(272)	(1,900)
Effects of modification	-	-	-	-
Accrued interest	733	97	117	947
Write-offs	-	-	(95)	(95)
Gross carrying amount as at 31 December 2020	71,271	2,037	1,524	74,832
Loss allowance as at 31 December 2020	1,954	4	388	2,346

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Microfinance lending (continued)

Loss allowances - Loans and advances to customers at amortised cost

BANK				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January 2021	**1,954**	**4**	**388**	**2,346**
Changes in the loss allowance				
– Transfer to stage 1	**40**	**(17)**	**(23)**	**-**
– Transfer to stage 2	**(7)**	**29**	**(22)**	**-**
– Transfer to stage 3	**(37)**	**(8)**	**45**	**-**
– Write-offs	**-**	**-**	**(25)**	**(25)**
New financial assets originated or purchased	**53**	**-**	**-**	**53**
Payments received and financial assets derecognised	**(1,787)**	**(15)**	**(33)**	**(1,835)**
Unwind discount	**-**	**-**	**-**	**-**
Impact on ECL Transfers	**(182)**	**(6)**	**93**	**(95)**
Effects of modification	**(2)**	**1**	**15**	**14**
Changes in models/risk parameters	**(16)**	**17**	**(53)**	**(52)**
Loss allowance as at 31 December 2021	**16**	**5**	**385**	**406**
Loss allowance as at 1 January 2020	258	2	5	265
Changes in the loss allowance				
– Transfer to stage 1	4	(3)	(1)	-
– Transfer to stage 2	(1)	6	(5)	-
– Transfer to stage 3	(3)	(1)	4	-
– Write-offs	-	-	54	54
New financial assets originated or purchased	1,314	4	2	1,320
Payments received and financial assets derecognised	(19)	(36)	(94)	(149)
Unwind discount	4	-	1	5
Impact on ECL Transfers	758	(3)	(5)	750
Changes in models/risk parameters	(361)	35	427	101
Loss allowance as at 31 December 2020	1,954	4	388	2,346

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Mortgage lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to mortgage lending is, as follows:

Loans and advances to customers at amortised cost

BANK				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2021	**32,367**	**7,882**	**4,198**	**44,447**
Changes in the gross carrying amount				
– Transfer to stage 1	**2,711**	**(1,801)**	**(910)**	**-**
– Transfer to stage 2	**(1,537)**	**1,589**	**(52)**	**-**
– Transfer to stage 3	**(1,554)**	**(667)**	**2,221**	**-**
New financial assets originated or purchased	**23,709**	**-**	**-**	**23,709**
Payments received and financial assets derecognised	**(9,855)**	**(692)**	**(1,390)**	**(11,937)**
Effects of modification	**1,118**	**(659)**	**(424)**	**35**
Accrued interest	**610**	**57**	**313**	**980**
Write-offs	**-**	**-**	**(289)**	**(289)**
Gross carrying amount as at 31 December 2021	**47,569**	**5,709**	**3,667**	**56,945**
Loss allowance as at 31 December 2021	**51**	**232**	**466**	**749**
Gross carrying amount as at 1 January 2020	31,141	1,427	3,651	36,219
Changes in the gross carrying amount				
– Transfer to stage 1	1,886	(721)	(1,165)	-
– Transfer to stage 2	(6,425)	6,672	(247)	-
– Transfer to stage 3	(2,468)	(276)	2,744	-
New financial assets originated or purchased	7,611	432	-	8,043
Payments received and financial assets derecognised	235	150	(416)	(31)
Effects of modification	-	-	-	-
Accrued interest	387	198	-	585
Write-offs	-	-	(369)	(369)
Gross carrying amount as at 31 December 2020	32,367	7,882	4,198	44,447
Loss allowance as at 31 December 2020	619	425	361	1,405

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Mortgage lending (continued)

Loss allowances - Loans and advances to customers at amortised cost

BANK				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January 2021	**619**	**425**	**361**	**1,405**
Changes in the loss allowance				
– Transfer to stage 1	**61**	**(41)**	**(20)**	**-**
– Transfer to stage 2	**(1)**	**2**	**(1)**	**-**
– Transfer to stage 3	**(1)**	**(1)**	**2**	**-**
– Write-offs	**-**	**-**	**(289)**	**(289)**
New financial assets originated or purchased	**215**	**-**	**-**	**215**
Payments received and financial assets derecognised	**(643)**	**(158)**	**(27)**	**(828)**
Unwind discount	**15**	**8**	**-**	**23**
Impact on ECL Transfers	**(94)**	**53**	**277**	**236**
Effects of modification	**1**	**(123)**	**218**	**96**
Changes in models/risk parameters	**(121)**	**67**	**(55)**	**(109)**
Loss allowance as at 31 December 2021	**51**	**232**	**466**	**749**
Loss allowance as at 1 January 2020	118	77	1,047	1,242
Changes in the loss allowance				
– Transfer to stage 1	560	(60)	(500)	-
– Transfer to stage 2	(41)	73	(32)	-
– Transfer to stage 3	(16)	-	16	-
– Write-offs	-	-	507	507
New financial assets originated or purchased	217	-	-	217
Payments received and financial assets derecognised	-	-	(876)	(876)
Unwind discount	64	11	47	122
Impact on ECL Transfers	556	(91)	(240)	225
Changes in models/risk parameters	(839)	415	392	(32)
Loss allowance as at 31 December 2020	619	425	361	1,405

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Personal lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to personal lending is, as follows:

Loans and advances to customers at amortised cost

BANK				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2021	**1,876,171**	**24,392**	**27,238**	**1,927,801**
Changes in the gross carrying amount				
– Transfer to stage 1	**9,307**	**(7,500)**	**(1,807)**	**-**
– Transfer to stage 2	**(6,990)**	**7,094**	**(104)**	**-**
– Transfer to stage 3	**(11,270)**	**(2,257)**	**13,527**	**-**
New financial assets originated or purchased	**1,120,430**	**-**	**-**	**1,120,430**
Payments received and financial assets derecognised	**(853,156)**	**(1,570)**	**(1,240)**	**(855,966)**
Effects of modification	**34,144**	**(5,528)**	**1,969**	**30,585**
Accrued interest	**17,884**	**383**	**3,193**	**21,460**
Write-offs	**-**	**-**	**(15,500)**	**(15,500)**
Gross carrying amount as at 31 December 2021	**2,186,520**	**15,014**	**27,276**	**2,228,810**
Loss allowance as at 31 December 2021	**19,584**	**3,199**	**18,902**	**41,685**
Gross carrying amount as at 1 January 2020	1,530,836	11,806	25,936	1,568,578
Changes in the gross carrying amount				
– Transfer to stage 1	6,380	(3,922)	(2,458)	-
– Transfer to stage 2	(19,530)	20,427	(897)	-
– Transfer to stage 3	(22,478)	(3,416)	25,894	-
New financial assets originated or purchased	348,866	4,062	559	353,487
Payments received and financial assets derecognised	15,813	(5,186)	(5,990)	4,637
Effects of modification	-	-	-	-
Accrued interest	16,284	621	320	17,225
Write-offs	-	-	(16,126)	(16,126)
Gross carrying amount as at 31 December 2020	1,876,171	24,392	27,238	1,927,801
Loss allowance as at 31 December 2020	30,556	8,972	20,844	60,372

10. RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Personal lending (continued)

Loss allowances - Loans and advances to customers at amortised cost

BANK				In TZS' Million
31 December 2021	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2021	30,556	8,972	20,844	60,372
Changes in the loss allowance				
– Transfer to stage 1	4,297	(3,012)	(1,285)	-
– Transfer to stage 2	(166)	243	(77)	-
– Transfer to stage 3	(278)	(1,424)	1,702	-
– Write-offs	-	-	(15,500)	(15,500)
New financial assets originated or purchased	35,710	-	-	35,710
Payments received and financial assets derecognised	(15,381)	(1,213)	(402)	(16,996)
Unwind discount	3,614	82	877	4,573
Impact on ECL Transfers	(16,056)	850	9,579	(5,627)
Effects of modification	28	(2,385)	808	(1,549)
Changes in models/risk parameters	(22,740)	1,086	2,354	(19,300)
Loss allowance as at 31 December 2021	19,584	3,199	18,900	41,683
Loss allowance as at 1 January 2020	27,332	3,527	18,727	49,586
Changes in the loss allowance				
– Transfer to stage 1	2,876	(1,101)	(1,775)	-
– Transfer to stage 2	(541)	1,073	(532)	-
– Transfer to stage 3	(573)	(1,134)	1,707	-
– Write-offs	-	-	4,548	4,548
New financial assets originated or purchased	11,337	11	32	11,380
Payments received and financial assets derecognised	(4,358)	(2,524)	(13,792)	(20,674)
Unwind discount	3,570	171	940	4,681
Impact on ECL Transfers	20,351	(1,212)	(12,788)	6,351
Changes in models/risk parameters	(29,438)	10,161	23,777	4,500
Loss allowance as at 31 December 2020	30,556	8,972	20,844	60,372

10. RISK MANAGEMENT (CONTINUED)

10.4 Liquidity risk and funding management

Liquidity risk is defined as the risk that the Group does not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due because of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Group on acceptable terms. Funding risk arises when the Group does not maintain a diversified and stable funding base, while minimising its cost.

To limit these risks, management has arranged for diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity daily. The Group has developed internal control processes and contingency plans for managing liquidity risk. The ALCO is responsible for managing the Group's liquidity risk through comprehensive policies, governance and review procedures, stress testing, monitoring of limit sets to ensure these are in line with the overall liquidity risk appetite and strategy of the Group. The treasury department is responsible for working with other departments within the Group to ensure the liquidity risk strategy is executed. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding, if required.

The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Group also has lines of credit that it can access to meet liquidity needs. Net liquid assets consist of cash, short–term bank deposits and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month.

The ratios during the year were, as follows:

Liquidity ratio

	In TZS' Million	
	GROUP AND BANK	
	2021	2020
Year-end	**27.5%**	25.5%
Maximum	**30.8%**	25.5%
Minimum	**20.9%**	20.3%
Average	**25.3%**	22.7%

The COVID-19 pandemic had no significant impact to the Group liquidity as at 31 December 2021 the liquidity ratio stood at 27.5% which is above the required regulatory ratio of 20%

Advances to deposit ratios

	In TZS' Million	
	GROUP AND BANK	
	2021	2020
Year-end	**78.8%**	75.10%
Maximum	**82.7%**	81.95%
Minimum	**70.6%**	72.10%
Average	**78.9%**	77.03%

The Group stresses the importance of current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of core customer current accounts and savings accounts, together with term funding with a remaining term to maturity more than one year. Loans to customers that are part of reverse repurchase arrangements, and where the Bank receives securities which are deemed to be liquid, are excluded from the advances to deposits ratio.

10.4.1 Liquidity risk management process

The Group's and Bank's liquidity management process, as carried out within the Group and Bank and monitored by the Asset and Liability Committee (ALCO) of the individual banks include:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Group and Bank maintain an active presence in money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets (Note 10.4.4).

10. RISK MANAGEMENT (CONTINUED)

10.4.2 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.

10.4.3 Stress Testing

In accordance with the Group's policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. Additionally, stress testing is performed for a combination of both the market and specific stress factors relating to the Bank. Liquidity mismatch reporting and stress testing results are reported regularly and reviewed by the Asset and Liability Committee (ALCO), Executive Committee and board risk committee.

10.4.4 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group and Bank's financial assets and the undiscounted cash flows of its financial liabilities as of 31 December, as the Group and Bank manage the inherent liquidity risk based on expected undiscounted cash flows.

GROUP				In TZS' Million
31 December 2021	Up to 3 months	3 - 12 months	Over 1 year	Total
Financial Assets				
Cash and balances with Central bank	888,698	-	-	888,698
Due from banks	498,283	-	-	498,283
Financial assets at FVPL	-	6,290	89,938	96,228
Debt instruments at FVOCI	-	-	468,860	468,860
Credit cards	1,844	-	-	1,844
Equity investment at FVPL	-	-	2,886	2,886
Equity investment at FVOCI	-	-	10,595	10,595
Loans and advances to customers	749	556,780	8,713,646	9,271,175
Debt instruments at amortized cost	56,923	403,737	1,279,073	1,739,732
Other assets*	95,061	-	-	95,061
Total undiscounted financial assets	1,541,558	966,807	10,564,998	13,073,362
Financial Liabilities				
Deposits from customers	6,178,381	287,598	42,959	6,508,937
Deposits from banks	715,737	-	-	715,737
Borrowings	-	58,251	170,573	228,823
Lease liabilities	2,859	7,547	35,959	43,365
Other liabilities**	110,005	-	-	110,005
Total undiscounted financial liabilities	7,006,982	353,396	249,491	7,606,867
Net undiscounted financial assets/(liabilities)	(5,467,824)	613,411	10,318,508	5,464,095

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

10. RISK MANAGEMENT (CONTINUED)

10.4 Liquidity risk and funding management (continued)

10.4.4 Analysis of financial assets and liabilities by remaining contractual maturities (continued)

GROUP				In TZS' Million
31 December 2020	**Up to 3 months**	**3 - 12 months**	**Over 1 year**	**Total**
Financial Assets				
Cash and balances with Central bank	652,918	-	-	652,918
Debt instruments at amortized cost	26,756	186,039	783,029	995,824
Debt instruments at FVOCI	17,153	-	483,852	501,005
Financial assets at FVPL	-	-	5,572	5,572
Due from banks	361,902	-	-	361,902
Loans and advances to customers	324,849	602,310	6,012,106	6,939,265
Credit cards	529	-	-	529
Other assets*	94,788	-	-	94,788
Total undiscounted financial assets	1,478,895	788,349	7,284,559	9,551,803
Financial Liabilities				
Deposits from banks	296,331	-	-	296,331
Deposits from customers	5,027,574	369,963	56,853	5,454,390
Borrowings	52,401	106,899	78,754	238,054
Subordinated debt	2,407	30,000	-	32,407
Lease liabilities	666	1,430	27,522	29,618
Other liabilities**	84,941	-	-	84,941
Total undiscounted financial liabilities	5,464,320	508,292	163,129	6,135,741
Net undiscounted financial assets/(liabilities)	(3,985,425)	280,057	7,121,430	3,416,062

BANK				In TZS' Million
31 December 2021	**Up to 3 months**	**3 - 12 months**	**Over 1 year**	**Total**
Financial Assets		-	-	
Cash and balances with Central bank	**869,079**	-	-	**869,079**
Due from banks	**433,513**	-	**12,481**	**445,995**
Financial assets at FVPL	-	-	**89,938**	**89,938**
Debt instruments at FVOCI	-	-	**468,860**	**468,860**
Credit cards	**1,844**	-	-	**1,844**
Equity investment at FVPL	-	-	**2,886**	**2,885**
Equity investment at FVOCI	-	-	**10,479**	**10,479**
Loans and advances to customers	**47**	**544,449**	**8,503,607**	**9,048,103**
Debt instruments at amortized cost	**48,835**	**387,042**	**1,103,090**	**1,538,966**
Other assets*	**89,599**	-	-	**89,599**
Total undiscounted financial assets	**1,442,917**	**931,491**	**10,191,341**	**12,565,748**
Financial Liabilities				
Deposits from customers	**5,898,482**	**240,038**	**42,958**	**6,181,478**
Deposits from banks	**683,425**		-	**683,425**
Borrowings	-	**58,250**	**170,573**	**228,823**
Lease liabilities	**2,859**	**7,547**	**32,403**	**42,809**
Other liabilities**	**108,186**	-	-	**108,186**
Total undiscounted financial liabilities	**6,692,952**	**305,835**	**245,934**	**7,244,721**
Net undiscounted financial assets/(liabilities)	**(5,251,950)**	**625,656**	**9,945,407**	**5,319,112**

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

10. RISK MANAGEMENT (CONTINUED)

10.4 Liquidity risk and funding management (continued)

10.4.4 Analysis of financial assets and liabilities by remaining contractual maturities (continued)

BANK				In TZS' Million
31 December 2020	Up to 3 months	3 - 12 months	Over 1 year	Total
Financial Assets				
Cash and balances with Central bank	633,209	-	-	633,209
Debt instruments at amortized cost	24,117	186,039	633,160	843,316
Debt instruments at FVOCI	17,153	-	483,852	501,005
Due from banks	370,363	-	11,844	382,207
Loans and advances to customers	228,916	598,018	5,921,311	6,748,245
Credit cards	529	-	-	529
Other assets*	96,494	-	-	96,494
Total undiscounted financial assets	1,370,781	784,057	7,050,167	9,205,005
Financial Liabilities				
Deposits from banks	295,984	-	-	295,984
Deposits from customers	4,827,072	369,962	56,853	5,253,887
Borrowings	52,401	106,899	78,754	238,054
Subordinated debt	2,407	30,000	-	32,407
Lease liabilities	503	1,254	26,931	28,688
Other liabilities**	83,989	-	-	83,989
Total undiscounted financial liabilities	5,262,356	508,115	162,538	5,933,009
Net undiscounted financial assets/(liabilities)	(3,891,575)	275,942	6,887,629	3,271,996

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

10. RISK MANAGEMENT (CONTINUED)

10.4 Liquidity risk and funding management (continued)

10.4.4 Analysis of financial assets and liabilities by remaining contractual maturities (continued)

Assets available to meet all the liabilities and to cover outstanding loan commitments include cash, central Bank balances, cheques, and items for clearing and treasury and other eligible bills; Due from banks; and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The Group would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

The tables below show the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. Capital commitments relate to the acquisition of property and equipment.

GROUP				In TZS' Million
31 December 2021	**Within 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
Outstanding letters of credit	**13,671**	**789,107**	**-**	**802,779**
Guarantees and indemnities	**42,608**	**1,615,086**	**50**	**1,657,744**
Commitments to extend credit	**269,013**	**-**	**-**	**269,013**
Capital commitments	**62,223**	-	-	**62,223**
Total commitments and guarantees	**387,515**	**2,404,193**	**50**	**2,791,759**
31 December 2020				
Outstanding letters of credit	-	136,181	649	136,830
Guarantees and indemnities	916,455	305,871	1,174	1,223,500
Commitments to extend credit	209,180	-	-	209,180
Capital commitments	10,288	-	-	10,288
Total commitments and guarantees	1,135,923	442,052	1,823	1,579,798

BANK				In TZS' Million
31 December 2021	**Within 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
Outstanding letters of credit	**13,671**	**789,108**	**-**	**802,779**
Guarantees and indemnities	**42,608**	**1,614,945**	**50**	**1,657,603**
Commitments to extend credit	**269,013**	**-**	**-**	**269,013**
Capital commitments	**50,571**	**-**	**-**	**50,571**
Total commitments and guarantees	**375,863**	**2,404,053**	**50**	**2,779,966**
31 December 2020				
Outstanding letters of credit	**-**	**135,532**	**-**	**135,532**
Financial guarantees and indemnities	**916,081**	**305,131**	**60**	**1,221,272**
Commitments to extend credit	**203,652**	**-**	**-**	**203,652**
Capital commitments	**10,288**	**-**	**-**	**10,288**
Total commitments and guarantees	**1,130,021**	**440,663**	**60**	**1,570,744**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.4 Liquidity risk and funding management (continued)

10.4.5 Analysis of encumbered and unencumbered assets

Below is the analysis of the Bank's encumbered and unencumbered assets that would be available to obtain additional future funding as securities. For this purpose, encumbered assets are:

Assets which have been pledged as collateral (e.g., which are required to be separately disclosed under IFRS 7); or Assets that an entity believes it is restricted from using to secure funding, for legal or other reasons, which may include market practice or sound risk management. Restrictions related to the legal position of certain assets, for example, those held by consolidated securitisation vehicles or in pools for covered bond issuances, may vary in different jurisdictions.

Unencumbered assets are the remaining assets that the Bank owns.

GROUP	Encumbered		Unencumbered		In TZS' Million
As at 31 December 2021	Pledged as collateral	Other*	Available as collateral	Other	Total
Cash and balances with central bank	-	231,350	657,348	-	888,698
Due from banks	-	-	-	493,216	493,216
Financial Assets at FVPL	-	-	20,807	6,290	27,097
Debt Instruments at FVOCI	-	-	-	424,160	424,160
Credit card	-	-	-	1,844	1,844
Equity investment at FVPL	-	-	-	2,886	2,886
Equity investment at FVOCI	-	-	-	10,595	10,595
Loans and advances to customers	-	-	-	5,040,368	5,040,368
Debt Instrument at amortised costs	293,152	-	-	909,441	1,202,593
Other assets	-	-	-	89,599	89,599
Total	293,152	231,350	678,155	6,978,399	8,181,056

	Encumbered		Unencumbered		In TZS' Million
As at 31 December 2020	Pledged as collateral	Other*	Available as collateral	Other	Total
Cash and balances with central bank	-	229,963	422,955	-	652,918
Due from banks	-	-	-	361,902	361,902
Financial Assets at FVPL	-	-	-	5,571	5,571
Debt Instruments at FVOCI	-	-	-	501,005	501,005
Credit card	-	-	-	529	529
Equity investment at FVPL	-	-	-	2,555	2,555
Equity investment at FVOCI	-	-	-	8,623	8,623
Loans and advances to customers	-	-	-	3,929,096	3,929,096
Debt Instrument at amortised costs	103,252	-	-	892,572	995,824
Other assets	-		-	94,788	94,788
Total	103,252	229,963	422,955	5,796,641	6,552,811

*Represents the statutory minimum reserve balance with Bank of Tanzania which is not available for use by Group.

10. RISK MANAGEMENT (CONTINUED)

10.4 Liquidity risk and funding management (continued)

10.4.5 Analysis of encumbered and unencumbered assets (continued)

BANK As at 31 December 2021	Encumbered Pledged as collateral	 Other*	Unencumbered Available as collateral	 Other	In TZS' Million Total
Cash and balances with central bank	-	231,350	637,729	-	869,079
Due from banks	-	-	-	442,784	442,784
Financial Assets at FVPL	-	-	20,807	6,290	27,097
Debt Instruments at FVOCI	-	-	-	424,160	424,160
Credit card	-	-	-	1,844	1,844
Equity investment at FVPL	-	-	-	2,886	2,886
Equity investment at FVOCI	-	-	-	10,479	10,479
Loans and advances to customers	-	-	-	4,903,448	4,903,448
Debt Instrument at amortised costs	293,152	-	-	708,411	1,001,563
Other assets	-	-	-	95,061	95,061
Total	**293,152**	**231,350**	**658,536**	**6,595,363**	**7,778,401**

As at 31 December 2020	Encumbered Pledged as collateral	 Other*	Unencumbered Available as collateral	 Other	In TZS' Million Total
Cash and balances with central bank	-	229,963	403,246	-	633,209
Due from banks	-	-	-	382,207	382,207
Financial Assets at FVPL	-	-	-	5,571	5,571
Debt Instruments at FVOCI	-	-	-	501,005	501,005
Credit card	-	-	-	529	529
Equity investment at FVPL	-	-	-	2,555	2,555
Equity investment at FVOCI	-	-	-	8,488	8,488
Loans and advances to customers	-	-	-	3,852,158	3,852,158
Debt Instrument at amortised costs	103,252	-	-	740,064	740,064
Other assets	- -		-	96,494	96,494
Total	103,252	229,963	403,246	5,589,071	6,325,532

*Represents the statutory minimum reserve balance with Bank of Tanzania which is not available for use by Group.

10.4.6 Country risk

Country risk is the risk that an occurrence within a country could have an adverse effect on the Group, directly by impairing the value of the Group or indirectly through an obligor's ability to meet its obligations to the Group. Generally, these occurrences relate, but are not limited, to sovereign events such as defaults or restructuring; political events such as contested elections or referendums; restrictions on currency movements; non-market currency convertibility; regional conflicts; economic contagion from other events such as sovereign default issues or regional turmoil; banking and currency crisis; and natural disasters.

The Group's risk management framework incorporates several measures and tools to monitor this risk. These measures include stress testing of concentrated portfolios and various limits by country. The country risk is generally identified with the domicile of the legal entity which is the Group's counterparty, unless most assets or revenues of such entity are in another country, in which case reference is made to such different country.

The Group exposures by country risk has been disclosed under Note 10.3.6 Analysis of risk concentration (b) Geographical analysis

10. RISK MANAGEMENT (CONTINUED)

10.5 Market risk

Market risks arise from open positions in interest rate, currency, and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either traded (the Trading book) or non-traded (the Banking book) portfolios and manages each of those portfolios separately. 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.

The Group take on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Group's risk management strategy for its Banking book is different for each of the following categories of market risk and are explained under individual risk, as follows:

- Foreign exchange risk in Note 10.5.1
- Equity price risk in Note 10.5.2
- Interest rate risk in Note 10.5.3

The market risks are concentrated in Bank Treasury and monitored by the Risk and Compliance department separately, which is responsible for ensuring that the Bank's exposures follow market risk limits approved by the board and to take adequate actions when necessary. Regular reports are submitted to the Management and board of directors.

Market risk measurement techniques

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

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

10.5.1 Foreign exchange risk

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

Currency sensitivity analysis

With all other variables held constant, a shift in foreign exchange rate by 4% on foreign denominated assets and liabilities would have resulted in lower or higher profit after tax as follows:

				In TZS' Million
	GROUP		BANK	
	2021	2020	2021	2020
USD	**10,601**	3,629	**10,699**	4,969
EURO	**1,476**	103	**1,422**	94
GBP	**157**	49	**149**	48
BIF	**6**	(67)	**25**	1
Other	**2,128**	(55)	**1,903**	(145)

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 905 million (2020: TZS 1,957 million).

The Bank's strategy is to monitor positions daily to ensure it manages itself against currency risk. Positions are maintained within established limits by balancing the assets and liabilities in the relevant currencies.

The below tables show the concentrations of foreign currency risk on the gross carrying value of financial assets and liabilities.

10. RISK MANAGEMENT (CONTINUED)

10.5 Market risk (continued)

10.5.1 Foreign exchange risk (continued)

GROUP As at 31 December 2021	TZS	USD	EURO	GBP	BIF	Others	In TZS' Million Total
Financial Assets							
Cash and balances with Central bank	662,095	222,608	2,813	246	-	936	888,698
Due from banks	195,616	225,127	14,082	26	714	57,651	493,216
Financial assets at FVPL	27,097	-	-	-	-	-	27,097
Debt instruments at FVOCI	424,160	-	-	-	-	-	424,160
Loans and advances to customers	3,702,431	1,334,587	3,350	-	-	-	5,040,368
Debt instruments at amortized cost	1,202,593	-	-	-	-	-	1,202,593
Credit cards	1,844	-	-	-	-	-	1,844
Other assets	84,187	3,491	5	-	-	-	89,599
Total financial assets	6,301,939	1,785,813	20,250	272	714	58,587	8,167,575
Financial Liabilities							
Deposits from customers	5,616,271	808,056	55,693	4,208	-	5,386	6,489,614
Deposits from Banks	105,155	608,599	1,448	-	-	-	715,202
Lease liabilities	37,120	-	-	-	556	-	37,676
Other liabilities**	108,291	1,695	18	1	-	-	110,005
Borrowings	91,792	106,070	-	-	-	-	197,862
	5,958,629	1,524,420	57,159	4,209	556	5,386	7,550,359
Net on-balance sheet financial position	343,310	261,393	(36,909)	(3,937)	158	53,201	617,216
Off balance sheet commitments	680,194	1,765,118	15,066	-	262	3	2,460,643

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.5 Market risk (continued)

10.5.1 Foreign exchange risk (continued)

GROUP							In TZS' Million
As at 31 December 2020	**TZS**	**USD**	**EURO**	**GBP**	**BIF**	**Others**	**Total**
Financial Assets							
Cash and balances with Central bank	548,805	91,013	8,895	1,476	-	2,729	652,918
Due from banks	127,841	173,420	47,816	6,568	-	6,257	361,902
Loans and advances to customers	3,069,406	853,526	6,164	-	-	-	3,929,096
Debt instruments at amortized cost	995,824	-	-	-	-	-	995,824
Debt instruments at FVOCI	501,005	-	-	-	-	-	501,005
Financial assets at FVPL	5,571	-	-	-	-	-	5,571
Credit cards	529	-	-	-	-	-	529
Other assets*	93,380	1,408	-	-	-	-	94,788
	5,343,769	1,119,367	62,875	8,044	-	8,986	6,541,633
Financial Liabilities							
Deposits from customers	4,608,599	749,710	59,967	6,809	-	9,562	5,434,647
Deposits from Banks	79,427	215,654	323	-	-	808	296,212
Lease liabilities	28,710	-	-	-	908		29,618
Other liabilities**	82,061	2,115	6	1	758	-	84,941
Borrowings	175,769	62,285	-	-	-	-	238,054
Subordinated debt	32,407	-	-	-	-	-	32,407
	5,006,973	1,029,764	60,296	6,810	1,666	10,370	6,115,879
Net on-balance sheet financial position	335,388	89,603	2,579	1,234	(1,666)	(1,384)	425,754
Off balance sheet commitments	430,272	886,073	38,708	-	-	214,457	1,569,510

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

10. RISK MANAGEMENT (CONTINUED)

10.5 Market risk (continued)

10.5.1 Foreign exchange risk (continued)

BANK As at 31 December 2021	TZS	USD	EURO	GBP	BIF	Others	In TZS' Million Total
Financial Assets							
Cash and balances with Central bank	647,478	217,694	2,751	241	-	915	869,079
Due from banks	175,504	202,190	12,648	23	642	51,777	442,784
Financial assets at FVPL	20,807	-	-	-	-	-	20,807
Debt instruments at FVOCI	424,160	-	-	-	-	-	424,160
Loans and advances to customers	3,600,951	1,299,235	3,262	-	-	-	4,903,448
Debt instruments at amortized cost	1,001,563	-	-	-	-	-	1,001,563
Credit cards	1,844	-	-	-	-	-	1,844
Other assets	91,565	3,491	5	-	-	-	95,061
Total financial assets	5,963,872	1,722,610	18,666	264	642	52,692	7,758,746
Financial Liabilities							
Deposits from customers	5,325,754	766,257	52,812	3,990	-	5,107	6,153,920
Deposits from Banks	100,440	581,125	1,383	-	-	-	682,948
Lease liabilities	37,120	-	-	-	-	-	37,120
Other liabilities**	108,291	1,695	18	1	-	-	110,005
Borrowings	91,792	106,070	-	-	-	-	197,862
	5,663,397	1,455,147	54,213	3,991		5,107	7,181,855
Net on-balance sheet financial position	300,475	267,463	35,547	(3,727)	642	47,585	576,891
Off balance sheet commitments	680,194	1,765,118	15,066	-	-	3	2,460,381

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.5 Market risk (continued)

10.5.1 Foreign exchange risk (continued)

BANK							In TZS' Million
As at 31 December 2020	**TZS**	**USD**	**EURO**	**GBP**	**BIF**	**Others**	**Total**
Financial Assets							
Cash and balances with Central bank	534,817	87,006	8,638	1,450	-	1,298	633,209
Due from banks	127,342	195,793	47,839	6,568	14	4,651	382,207
Loans and advances to customers (Gross)	2,992,468	853,526	6,164	-	-	-	3,852,158
Debt instruments at amortized cost	843,316	-	-	-	-	-	843,316
Debt instruments at FVOCI	501,005	-	-	-	-	-	501,005
Credit cards	529	-	-	-	-	-	529
Other assets	93,973	2,521	-	-	-	-	96,494
Total financial assets	5,093,450	1,138,846	62,641	8,018	14	5,949	6,308,918
Financial Liabilities							
Deposits from customers	4,422,574	735,235	59,967	6,808	-	9,561	5,234,145
Deposits from banks	80,007	215,654	323	-	-	-	295,984
Lease liabilities	28,688	-	-	-	-	-	28,688
Other liabilities	82,526	1,456	6	1	-	-	83,989
Borrowings	238,054	-	-	-	-	-	238,054
Subordinated debt	32,407	-	-	-	-	-	32,407
Total financial liabilities	4,884,256	952,345	60,296	6,809	-	9,561	5,913,267
Net on-balance sheet financial position	209,194	186,501	2,345	1,209	14	(3,612)	395,651
Off balance sheet commitments	430,272	886,073	38,708	-	-	205,403	1,560,456

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

10. RISK MANAGEMENT (CONTINUED)

10.5 Market risk (continued)

10.5.2 Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. The Group and the Bank is exposed to equity securities price risk as it currently holds;

- 327,632 shares invested in DSE amounting to TZS 426 million (2020: TZS 288 million),
- 3.2 million preference shares and 100,000 ordinary shares of TACOBA with a total value of TZS 2,886 (2020: TZS 2,555 million) and
- 1.4million shares invested in KCBL with a total value of TZS 5,187(2020: TZS 4,404million).
- 3million shares invested in TMRC with a total value of TZS 4,866(2020: TZS 3,795 million).

Financial assets exposed to price risk are presented on the statement of financial position as equity instrument at fair value through Other Comprehensive Income (OCI). If the market price of instrument (had increased/decreased by 2% with all other variables held constant, the fair value reserve in equity instrument would have increased/decreased because of gains or losses on equity instrument classified as equity instrument at FVOCI by TZS 182 million as at 31 December 2021 (2020: TZS 163 million) for the Group and Bank.

For financial assets measured at fair value through profit or loss, a 2% increase (decrease) in discount rate would result in an increase (decrease) in fair value by TZS 43mn (2020: TZS 39mn).

The impact of COVID-19 has insignificant impact in prices which do not affect the fair value of financial assets both directly for those traded in an active market and indirectly for those where a valuation technique used with market inputs.

10.5.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Group and Bank take on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase because of such changes but may produce losses if unexpected movements arise.

The Group's Asset and Liability Committee ("ALCO") sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is regularly monitored by an independent Risk and Compliance department and reported regularly to ALCO and the board. The interest rate gap is within internal limits.

10.5.3.1. IBOR reform

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform').

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the Bank has established a Team to manage the transition of all contracts that would be affected. The Team is being led by senior representatives from functions across the Group including Treasury, Corporate/ Retail banking, Legal, Finance and IT. The Group has assessed the transition of financial assets from IBOR to alternative nearly risk-free rate and concluded that the impact is not substantial.

The main risks to which the Group is exposed because of IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform. Financial risk is predominantly limited to interest rate risk. The Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate. It is expected that most reforms affecting the Group will be completed by the end of 2022

Following the progress made during 2021, the Bank is confident that it has the operational capability to process the remaining transitions to RFRs for those interest rate benchmarks such as USD LIBOR that will cease to be available after 30 June 2023 and the Group IBORs for which the transition date has not yet been determined.

IBOR reform exposes the Group to various risks, which the team is managing and monitoring closely. These risks include but are not limited to the following:

- ·Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform
- ·Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses
- ·Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable
- ·Operational risk arising from changes to the Bank's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available

The tables below show the Group's exposure to significant IBORs subject to reform that have yet to transition to RFRs as at the current year end and the prior year end, including those exposures which transitioned immediately after the current year end.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.5 Market risk (continued)

10.5.3 Interest rate risk (continued)

10.5.3.1. IBOR reform (Continued)

31 December 2021	Non-Derivative assets Carrying value	Non-derivative liabilities Carrying value	In TZS' Million Derivative Nominal Amount
LIBOR USD (6 months)	280,761	-	-
LIBOR USD (12 months)	57,632	-	-
LIBOR TZS (6 months)	233,000	-	-
	571,393	-	-

Included within the table above are exposures referenced to LIBOR as at 31 December 2021, that will transition from LIBOR to alternative not later than 30 March 2022.

10.5.3.2. Interest rate repricing profile (non-trading)

The following table provides an analysis of the Bank's interest rate risk exposure on non-trading financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

GROUP 31 December 2021	Up to 3 months	3 - 12 months	Over 1 year	Non-interest bearing	In TZS' Million Total
Assets					
Cash and balances with Central bank	-	-	-	888,698	888,698
Due from banks	493,216	-	-	-	493,216
Debt instruments at FVOCI	-	-	424,160	-	424,160
Credit cards	1,844	-	-	-	1,844
Loans and advances to customers	749	495,551	4,544,068	-	5,040,368
Debt instruments at amortized cost	56,463	549,382	596,748	-	1,202,593
Other financial assets	-	-	-	89,599	89,599
Total financial assets	552,272	1,044,933	5,564,976	978,297	8,140,478
Liabilities					
Deposits from customers	6,170,480	232,629	38,373	48,132	6,489,614
Deposits from banks	715,202	-	-	-	715,202
Borrowings	-	58,250	139,612	-	197,862
Lease liability	-	-	-	37,676	37,676
Other Liabilities	-	-	-	110,005	110,005
Total financial liabilities	6,885,682	290,879	177,985	195,813	7,550,359
Total interest gap	(6,333,410)	754,054	5,386,991		

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).
All financial instruments are at fixed interest rate.

10. RISK MANAGEMENT (CONTINUED)

10.5 Market risk (continued)

10.5.3 Interest rate risk (continued)

GROUP 31 December 2020	Up to 3 months	3 - 12 months	Over 1 year	Non-interest bearing	In TZS' Million Total
Assets					
Cash and balances with Central bank	-	-	-	652,918	652,918
Debt instruments at amortized cost	26,756	186,039	783,029	-	995,824
Debt instruments at FVOCI	17,154	-	483,851	-	501,005
Financial Assets FVPL	5,572	-	-	-	5,572
Due from banks	361,902	-	-	-	361,902
Loans and advances to customers	229,870	556,327	3,289,407	-	4,075,604
Credit cards	529	-	-	-	529
Other financial assets	-	-	-	94,788	94,788
Total financial assets	641,783	742,366	4,556,287	747,706	6,688,142
Liabilities					
Deposits from banks	296,212	-	-	-	296,212
Deposits from customers	4,944,251	391,712	42,601	56,083	5,434,647
Borrowings	52,402	106,899	78,753	-	238,054
Subordinated debt	2,407	30,000	-	-	32,407
Lease liabilities	-	-	-	29,618	29,618
Other liabilities	-	-	-	84,941	84,941
Total financial liabilities	5,295,272	528,611	121,354	170,642	6,115,879
Total interest gap	(4,653,489)	213,755	4,434,933		

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).
All financial instruments are at fixed interest rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RISK MANAGEMENT (CONTINUED)

10.5 Market risk (continued)

10.5.3 Interest rate risk (continued)

BANK 31 December 2021	Up to 3 months	3 - 12 months	Over 1 year	Non-interest bearing	In TZS' Million Total
Assets					
Cash and balances with Central bank	-	-	-	869,079	869,079
Due from banks	431,009	-	11,775	-	442,784
Debt instruments at FVOCI	-	-	424,160	-	424,160
Credit cards	1,844	-	-	-	1,844
Loans and advances to customers	47	488,597	4,414,804	-	4,903,448
Debt instruments at amortized cost	48,375	374,289	578,899	-	1,001,563
Other financial assets	-	-	-	95,061	95,061
Total financial assets	481,275	862,886	5,429,638	964,140	7,737,939
Liabilities					
Deposits from customers	5,850,350	217,065	38,373	48,132	6,153,920
Deposits from banks	682,948	-	-	-	682,948
Borrowings	-	58,250	139,612	-	197,862
Lease liability	-	-	-	37,120	37,120
Other Liabilities	-	-	-	108,186	108,186
Total financial liabilities	6,533,298	275,315	177,985	193,438	7,180,036
Total interest gap	6,052,023	587,571	5,251,653		

BANK 31 December 2020	Up to 3 months	3 - 12 months	Over 1 year	Non-interest bearing	In TZS' Million Total
Assets					
Cash and balances with Central bank	-	-	-	633,209	633,209
Debt instruments at amortized cost	26,756	183,399	633,161	-	843,316
Debt instruments at FVOCI	17,154	-	483,851	-	501,005
Due from banks	370,363	-	11,844	-	382,207
Loans and advances to customers	229,870	556,327	3,065,961	-	3,852,158
Credit cards	529	-	-	-	529
Other financial assets	-	-	-	96,494	96,494
Total financial assets	644,672	739,726	4,194,817	729,703	6,308,918
Liabilities					
Deposits from banks	295,984	-	-	-	295,984
Deposits from customers	4,771,295	364,310	42,457	56,083	5,234,145
Borrowings	52,582	106,899	78,573	-	238,054
Subordinated debt	2,407	30,000		-	32,407
Lease liabilities	503	1,254	26,931	-	28,688
Other liabilities	-	-	-	83,989	83,989
Total financial liabilities	5,122,771	502,463	147,961	140,072	5,913,267
Total interest gap	(4,478,099)	237,263	4,046,856		

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).
All financial instruments are at fixed interest rate.

10. RISK MANAGEMENT (CONTINUED)

10.5.3 Interest rate risk (continued)

Gap analysis

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the Bank's business strategies. Interest rate monitoring is done through the Group's Asset and Liability Committee.

The Bank utilises gap analysis for measuring and managing interest rate risk. A positive gap indicates that the Bank has more interest rate sensitive assets than interest rate sensitive liabilities. A positive or asset sensitive gap means that an increase in market interest rates could cause an increase in the net interest margin and vice versa. Conversely, a negative or liability sensitive gap implies that the Bank's net interest margin could decline because of increase in market rates and vice versa.

With all other variables held constant, if the interest rates prevailing during the year shifted by 500 basis points on all Group's and Bank's interest-bearing assets and liabilities, profit before tax would be lower or higher by TZS 18,154 million (2020: TZS 17,401 million) and TZS 19,001 million (2020: TZS 18,239 million) respectively.

The following tables provides an analysis of the Bank's interest rate risk exposure on non–trading financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

10.5.3.3. Prepayment risk

Prepayment risk primarily relates to the Bank's loan portfolio and is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. It includes its borrowers that repay or refinance their fixed rate loans when interest rates fall or the corporate and small business customers with prepayment options with low penalties that refinance their loans when their credit quality improves to a point that they can obtain lower rates.

Within its risk management framework, the Bank has introduced various measures to limit its economic losses arising from prepayment risk. For its corporate and small business loans, the risk is primarily managed through product design and development, and by setting the costs of prepayment options to a level that does not encourage prepayments.

The Group does not consider prepayment risk to be material.

10.6 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud, or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

10.7 Strategic risk

Strategic risk refers to the current or prospective negative impact on earnings, capital or reputation arising from adverse strategic decisions, improper implementation of decisions or a lack of responsiveness to industry, economic or technological changes. It is the risk of not achieving our strategic goals.

Business risk refers to the adverse impact on earnings or capital arising from changes in business parameters such as volumes, margins and costs. The sources of business risk include uncompetitive products or pricing, internal inefficiencies, and changes in general business conditions such as market contraction or changes in customers' expectations and demand. It is the risk of not achieving our short-term business objectives.

Our board of directors and senior management committees are responsible for managing risks associated with the Group's business. The Managing Director and CEO, supported by senior management committees, oversees the day-to-day management of the Group and make business decisions within the Group's risk appetite. The Group's strategy is then translated into annual financial targets, considering the macroeconomic environment, and cascaded to specific business for development and implementation.

10.8 Compliance risk

Compliance risk encompasses regulatory and legal compliance risk. Compliance risk is the risk that the Bank incurs financial or reputational risk through imposition of penalties or fines because of not adhering to applicable laws, rules and regulations and good market practice (including ethical standards). The Group's compliance function proactively seeks to enhance compliance risk management and the supporting control framework.

The Group operates in a market where there is a significant level of regulatory change activity, therefore, compliance risk is a key area of focus for Senior Management. The compliance function monitors this risk through reference to metrics relevant to the Group, review of incident reports and assessments, risk and control assessments pertaining to the first and second lines of defence functions, results of regulatory assessments, and review of results internal audit and external audit reports. Remediation of controls is conducted in a timely manner.

10. RISK MANAGEMENT (CONTINUED)

10.9 Climate-related risk

Climate-related risks' are potential negative impacts on the Group arising from climate change. Climate-related risks have an impact on the principal risk categories discussed above (i.e., credit, liquidity, market, and operational risks), but due to their pervasive nature have been identified and managed by the Group on an overall basis.

The Group distinguishes between physical risks and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts, and rising sea levels. Transition risks arise because of measures taken to mitigate the effects of climate change and transition to a low-carbon economy – e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products, and services due to changes in consumer behaviour and investor demand.

The Group Risk department is responsible for developing group policies, processes and controls including climate risks in the management of principal risk categories. The Risk department is responsible for;

- identifying risk factors and assessing their potential impact on the Group's financial statements; and
- allocating responsibilities for managing each identified risk factor.

The Group has also set out principles on how to incorporate climate-related risk into stress test scenarios.
The Group has identified the following climate-related risk factors as having an impact on the Group's financial instruments and included them in its principal risk management processes.

- Industries exposed to increased transition risks: The Group has identified industries that are subject to increased risk of climate regulation negatively affecting their business model. The Group Credit Committee has set overall lending limits for these industries.
- Physical risk to real estate: The Group has identified areas in which it operates that are exposed to increased physical risk such as hurricanes or floods. Heightened physical risk is considered in valuing collateral, such as real estate, plant or inventory.

The Group is in the process of developing models that aim to assess how borrowers' performance is linked to climate change.
The Group plans to use these models in pricing credit risk and in calculating ECLs.

10.10 Fair value of assets and liabilities

Fair value measurement hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's and Bank's market assumptions.

These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

There were no transfers between hierarchy levels 1 and 2 during the year.
There were no any transfers into and out of Level 3 of the fair value hierarchy during the year.

(a) Financial instruments not measured at fair value

The fair value of assets and liabilities not measured at fair value approximates carrying amounts. Where the fair value does not approximate carrying amount, the respective fair values have been computed and disclosed in this note below for both Group and Bank.

(i) Cash and balances with Central bank

The carrying amount of cash and balances with Central bank is a reasonable approximation of its fair value.

(ii) Due from banks

Due from banks include interbank placements and cheque and item for clearing. 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.

10. RISK MANAGEMENT (CONTINUED)

10.10 Fair value of assets and liabilities (continued)

(a) Financial instruments not measured at fair value (continued)

(i) *Investment securities*

The fair value for debt instruments measured at amortized costs, fair value is estimated using market prices for securities with similar credit, maturity and yield characteristics.

(ii) *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.

(iii) *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.

(iv) *Borrowings*

The estimated fair value is based on discounted cash flows using prevailing interest rate.

(v) *Credit card*

The estimated fair value is based on discounted cash flows using prevailing interest rate.

(vi) *Other assets/other liabilities*

The carrying amount of other assets/liabilities is a reasonable approximation of its fair value because of its short term in nature

10 RISK MANAGEMENT (CONTINUED)

10.10 Fair value of assets and liabilities (continued)

(a) Financial instruments not measured at fair value (continued)

The table below summarises the carrying amounts and fair values of financial assets and liabilities.

GROUP			In TZS' Million
31 December 2021	Hierarchy Level	Carrying amount	Fair value
Financial assets			
Cash and balances with Central bank	2	888,698	888,698
Due from banks	2	493,216	493,216
Loans and advances to customers	2	5,040,368	5,040,368
Credit cards	2	1,844	1,844
Debt instruments at amortized cost	2	1,202,593	1,202,593
Other assets*	2	89,599	89,599
		7,714,403	7,714,403
Financial liabilities			
Deposits from banks	2	715,202	715,202
Deposits from customers	2	6,489,614	6,489,614
Borrowings	2	197,862	197,862
Lease liabilities	2	37,676	37,676
Other liabilities**	2	110,005	104,887
		7,550,359	7,550,359
31 December 2020			
Financial assets			
Cash and balances with Central bank	2	652,918	652,918
Due from banks	2	361,902	361,902
Loans and advances to customers	2	3,929,096	3,929,096
Credit cards	2	529	529
Debt instruments at amortized cost	2	995,824	995,824
Other assets*	2	94,788	94,788
		6,035,057	6,035,057
Financial liabilities			
Deposits from banks	2	296,212	296,212
Deposits from customers	2	5,434,647	5,434,647
Borrowings	2	238,054	238,054
Subordinated debts	2	32,407	32,407
Lease liabilities	2	29,618	29,618
Other liabilities**	2	84,773	84,773
		6,115,711	6,115,711

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

10 RISK MANAGEMENT (CONTINUED)

10.10 Fair value of assets and liabilities (continued)

The table below summarises the carrying amounts and fair values of financial assets and liabilities.

BANK			In TZS' Million
31 December 2021	**Hierarchy Level**	**Carrying amount**	**Fair value**
Financial assets			
Cash and balances with Central bank	2	869,079	869,079
Due from banks	2	444,784	444,784
Loans and advances to customers	2	4,903,448	4,903,448
Credit cards	2	1,844	1,844
Debt instruments at amortized cost	2	1,001,563	1,001,563
Other assets*	2	95,061	95,061
		7,313,379	7,313,379
Financial liabilities			
Deposits from Banks	2	682,948	682,948
Deposits from customers	2	6,153,920	6,153,920
Borrowings	2	197,862	197,862
Lease liabilities	2	37,120	37,120
Other liabilities**	2	108,186	108,186
		7,180,036	7,180,036
31 December 2020			
Financial assets			
Cash and balances with Central bank	2	633,209	633,209
Due from banks	2	382,207	382,207
Loans and advances to customers	2	3,852,158	3,852,158
Credit cards	2	529	529
Debt instruments at amortized cost	2	843,316	843,316
Other assets*	2	96,494	96,494
		5,807,913	5,807,913
Financial liabilities			
Deposits from Banks	2	295,984	295,984
Deposits from customers	2	5,234,145	5,234,145
Borrowings	2	238,054	238,054
Subordinated debts	2	32,407	32,407
Lease liabilities	2	28,688	28,688
Other liabilities**	2	83,821	83,821
		5,913,099	5,913,099

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

10. RISK MANAGEMENT (CONTINUED)

10.10 Fair value of assets and liabilities (continued)

(b) Fair value measurement hierarchy of the Group and Bank's assets and liabilities

The following tables represents the Group's and Bank's financial assets that are measured at fair value at 31 December 2021. Motor vehicles and mobile branches that are measured at fair value are disclosed under Note 37B.

GROUP				In TZS' Million
31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets measured at FVPL	-	**27,097**	-	**27,097**
Debt instrument measured at FVOCI:				
- Treasury Bonds	-	**424,160**	-	**424,160**
Equity Investment measured at FVOCI	**426**	**4,982**	**5,187**	**10,595**
Equity Investment measured at FVPL	-	-	**2,886**	**2,886**
Total assets	**426**	**456,239**	**8,073**	**464,738**
31 December 2020				
Financial Assets measured at FVPL	-	5,572	-	5,572
Debt instrument measured at FVOCI:				
- Treasury Bonds	-	501,005	-	501,005
Equity Investment measured at FVOCI	288	3,931	4,404	8,623
Equity Investment measured at FVPL	-	-	2,555	2,555
Total assets	288	510,508	6,959	517,755

BANK				In TZS' Million
31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets measured at FVPL	-	**20,807**	-	**20,807**
Debt instrument measured at FVOCI				
- Treasury Bonds	-	**424,160**	-	**424,160**
Equity Investment measured at FVOCI	**426**	**4,866**	**5,187**	**10,479**
Equity Investment measured at FVPL	-	-	**2,886**	**2,886**
Total assets	**426**	**449,833**	**8,073**	**400,829**
31 December 2020				
Debt instrument measured at FVOCI:				
- Treasury Bonds	-	501,005	-	501,005
Equity Investment measured at FVOCI	288	3,796	4,404	8,488
Equity Investment measured at FVPL	-	-	2,555	2,555
Total assets	288	504,801	6,959	512,048

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. 2020 comparative has been updated to include accrued interest previously not disclosed.

10. RISK MANAGEMENT (CONTINUED)

10.10 Fair value of assets and liabilities (continued)

(b) Fair value measurement hierarchy of the Group and Bank's assets and liabilities (continued)

Reconciliation of Level 3 - Equity Investments at FVPL

				In TZS' Million
	GROUP		BANK	
	2021	2020	2021	2020
At 1 January	**2,555**	3,040	2,555	3,040
Revaluation gain/ (loss)	**331**	(485)	331	(485)
Purchases	**-**	-	-	-
At 31 December	**2,886**	2,555	2,886	2,555

During the year there were no purchase, sales, issues and settlements.

Reconciliation of Level 3 - Equity Investments at FVOCI

				In TZS' Million
	GROUP		BANK	
	2021	2020	2021	2020
At 1 January	**4,404**	-	**4,404**	-
Revaluation gain/ (loss)	**-**	7,000	**-**	7,000
Purchases	**783**	(2,596)	**783**	(2,596)
At 31 December	**5,187**	4,404	**5,187**	4,404

During the year there were no sales, issues, and settlements.

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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.

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.

Where they are available, the fair value of loans and advances (including off balance sheet exposures, credit cards and other assets) is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses and interest rates. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

Input into the models may include information obtained from other market participants, which includes observed primary and secondary transactions. To improve the accuracy of the valuation, estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as product and borrower type.
The fair value of deposits (banks and customers), borrowings, other liabilities is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms

Financial instruments in level 3

Investment securities are fair valued based on observable market information, including market prices for debt and equity securities. Where observable market inputs are unavailable, the Group uses valuation techniques to arrive to the fair value, including the use of transaction prices obtained at recent arm's length transactions and discounted cash flow analysis, based on market conditions and risks at the reporting date. Changes in fair value of equity instruments are measured at the end of each accounting period. 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.

10. RISK MANAGEMENT (CONTINUED)

10.10 Fair value of assets and liabilities (continued)

(b) Fair value measurement hierarchy of the Group and Bank's assets and liabilities (continued)

Financial instruments in level 3 (continued)

The significant unobservable inputs used in the fair value measurements categorized within level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 Dec 2021 and 2020 are shown below:

Non-Listed Equity investment	Valuation Technique	Significant unobservable inputs	Range (Weighted Average)	Sensitivity of the inputs to fair value
KCBL	DCF method	Discount rate	**2021:16%-17%** 2020:16%-17%	2% increase (decrease) in discount rate would result in an increase (decrease) in fair value by TZS 125mn (2020: TZS 121mn).
		Discounted cashflow	Investment based	A significant increase in expected net cashflow would result in higher fair value.
		Terminal value	Investment based	A significant increase in terminal value would result in higher fair value.
TACOBA	DCF method	Discount rate	**2021:16%-17%** 2020:16%-17%	2% increase (decrease) in discount rate would result in an increase (decrease) in fair value by TZS 43mn (2020: TZS 39mn).
		Discounted cashflow	Investment based	A significant increase in expected net cashflow would result in higher fair value.
		Terminal value	Investment based	A significant increase in terminal value would result in higher fair value.
MOTOR VEHICLE & MOBILE BRANCHES	Direct sales comparison approach	Prices of similar nature (per unit cost)	**2021: TZS 162mn** 2020: TZS 154mn	4% increase (decrease) in discount rate would result in an increase (decrease) in fair value by TZS 1,604mn (2020: TZS 1,566mn).

There were no other significant unobservable inputs used other than the discount rate and prices of similar nature (per unit cost) in the measurement of fair value of equity investments and motor vehicles and mobile branches respectively as stated above, hence no interrelationship of the inputs used in the fair value measurements.

During the year, there has been no change in valuation techniques on all levels.

10.11 Capital management

Fair value measurement is based on assumptions and inputs. During financial disruptions the assumptions and inputs are expected to change, however volatility in prices in Tanzania market was insignificant as there was no material change on both quoted and unquoted instruments despite the outbreak of the COVID-19 pandemic. This was mainly due to strong measures taken by the Central Bank of Tanzania (BOT) to minimize the risks of the pandemic.

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 TZS15 billion;
(b) maintain a ratio of core capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the 'Basel ratio') at or above the required minimum of 12.5%; and
(c) Maintain total capital of not less than 14.5% of risk-weighted assets plus risk-weighted off-balance sheet items.

The Bank's regulatory capital as managed by its Finance department is divided into two tiers:

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. Intangible assets and prepaid expenses are deducted in arriving at Tier 1 capital: and
- Tier 2 capital: qualifying subordinated loan capital and general banking reserve

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, considering 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.

10. RISK MANAGEMENT (CONTINUED)

10.11 Capital management (Continued)

Capital allocation

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital is undertaken by Treasury department and is subject to review by the Group Asset and Liability Management Committee (ALCO).

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

				In TZS' Million
	GROUP		BANK	
	2021	2020	2021	2020
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	**943,500**	735,720	**919,841**	716,469
Prepaid expenses	**(41,600)**	(31,657)	**(38,595)**	(28,234)
Deferred tax asset	**(41,130)**	(48,639)	**(41,138)**	(48,647)
Total qualifying Tier 1 capital	**1,084,380**	879,034	**1,063,718**	863,198
Tier 2 capital				
General Banking reserve	**756**	1,259	**-**	-
Subordinated debt	**-**	4,500	**-**	4,500
Total qualifying Tier 2 capital	**756**	5,759	**-**	4,500
Total regulatory capital	**1,085,136**	884,793	**1,063,718**	867,698
Risk-weighted assets				
On-balance sheet	**3,910,657**	4,046,435	**3,837,829**	3,969,497
Off-balance sheet	**989,896**	409,448	**989,896**	409,448
Market risk	**37,262**	32,271	**37,262**	32,271
Operational risk	**519,286**	470,871	**519,286**	461,755
Total risk-weighted assets	**5,457,101**	4,939,230	**5,384,273**	**4,853,176**

	Required	GROUP		BANK	
	RATIO	RATIO	RATIO	RATIO	RATIO
		2021	2020	2021	2020
	%		%		%
Tier 1 capital	12.5	**20.0**	17.8	**20.0**	17.8
Tier 1 + Tier 2 capital (Total capital)	14.5	**20.0**	17.9	**20.0**	17.9

11. INTEREST AND SIMILAR INCOME

In TZS' Million	GROUP		BANK	
	2021	2020	2021	2020
Interest income calculated using effective interest method				
Loans and advances to customers				
- Term loans	**518,391**	440,516	**506,034**	428,577
- Overdrafts	**72,131**	61,054	**70,747**	59,918
- Credit cards	**693**	166	**693**	166
Due from banks	**8,757**	5,138	**8,138**	5,696
Discount earned and interest on Debt instruments				
-Treasury bills	**10,333**	12,275	**9,237**	12,052
-Treasury and corporate bonds at amortised cost	**111,487**	110,502	**95,539**	95,077
-Treasury at FVOCI	**67,873**	69,643	**67,873**	69,643
	789,666	699,294	**758,261**	671,129
Other interest and Similar income				
-Treasury bonds at FVPL	**779**	-	**779**	-
Total interest and similar income	**790,445**	699,294	**759,040**	671,129

12. INTEREST AND SIMILAR EXPENSE

In TZS' Million	GROUP		BANK	
	2021	2020	2021	2020
Interest expense calculated using effective interest method				
Deposits from customers				
– current accounts	**16,961**	15,651	**14,697**	14,249
– savings accounts	**17,508**	15,147	**16,229**	14,297
– fixed deposits	**76,596**	57,710	**73,342**	54,678
Deposit and balances due to other banks	**14,923**	14,663	**14,262**	12,714
Borrowings	**14,660**	10,727	**14,660**	10,727
Subordinated debt	**1,591**	2,407	**1,591**	2,407
	142,239	116,305	**134,781**	109,072
Interest expense on lease liability calculated using effective interest method	**2,331**	2,509	**2,278**	2,461
Total interest and similar expenses	**144,570**	118,814	**137,059**	111,533

The above disclosure has been updated to separate interest expense on deposits and balance due to other banks from borrowings. The prior year presentation has also been updated.

13. NET FEE AND COMMISSION INCOME

A) Fee and Commission Income

	GROUP		BANK	
In TZS' Million	2021	2020	2021	2020
Fee income earned from services that are provided over time:				
Service charge on customer accounts	**35,190**	35,157	**34,602**	34,500
Commission on mobile phone services	**61,267**	51,303	**61,109**	51,006
Loan Commitment fees*	**9,710**	9,707	**9,689**	9,654
VISA and master card fees	**12,197**	9,514	**12,161**	9,452
Commission on letters of credit	**8,356**	5,520	**8,329**	5,489
Fee on issue of Bank cards	**15,567**	12,887	**15,500**	12,806
Agency Banking	**31,212**	19,515	**31,147**	19,408
Point of sale fees	**7,719**	6,678	**7,703**	6,641
Custodianship Commission	**2,272**	1,241	**2,267**	1,234
Commission on guarantees and indemnities	**6,268**	9,085	**6,187**	8,972
	189,758	160,607	**188,694**	159,162
Fee income from providing financial services at a point in time:				
Salary processing fees	**4,740**	5,301	**4,425**	4,957
Insurance Commission	**10,785**	8,046	**9,324**	1,949
Fee on local transfers and drafts	**6,168**	5,881	**5,625**	5,492
Fee on international telegraphic transfers	**1,506**	1,088	**408**	487
Sale of Cheque books	**679**	715	**645**	670
ATM withdrawal charges	**18,429**	14,123	**18,296**	13,955
Statement Charges	**1,450**	1,400	**1,435**	1,385
Commission from TRA collections	**381**	649	**380**	646
Other fees and commissions	**23,409**	6,282	**23,828**	5,318
	67,547	43,485	**64,366**	34,859
Gross fee and commission income	**257,305**	204,092	**253,060**	194,021

*These are fees which are not integral part in the calculation of effective interest rate for the financial assets that are not at FVPL.

Disaggregation of the above fee and commission is based on whether the customer simultaneously receives and consumes the benefits provided by the Group

Contract Balances

There were no significant judgements used in determination of revenue under IFRS 15. Receivables from contract with customers and impairment thereof are disclosed under Note 33. There were no contract liabilities as at 31 December 2021 (2020: Nil).

13. NET FEE AND COMMISSION INCOME

A) Fee and Commission Income (continued)

Disaggregated of fee and commission income

In the following table, fee, and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by type of services. The table also includes a reconciliation of the disaggregated fee and commission income with the Group's reportable segments (see Note 9).

GROUP				In TZS' Million
Type of service	**Corporate Banking**	**Retail Banking**	**Treasury**	**Total**
31 December 2021				
Fee income earned from services that are provided over time:				
Service charge on customer accounts	9,138	26,052	-	35,190
Commission on mobile phone services	15,891	45,376	-	61,267
Loan Commitment fees*	2,518	7,192	-	9,710
VISA and master card fees	3,164	9,033	-	12,197
Commission on letters of credit	8,356	-	-	8,356
Fee on issue of Bank cards	4,038	11,529	-	15,567
Agency Banking	8,095	23,117	-	31,212
Point of sale fees	2,002	5,717	-	7,719
Custodianship Commission	-	-	2,272	2,272
Commission on guarantees and indemnities	6,268		-	6,268
	59,470	128,016	2,272	189,758
Fee income from providing financial services at a point in time:				
Salary processing fees	1,206	3,534	-	4,740
Insurance Commission	2,417	8,368	-	10,785
Fee on local transfers and drafts	1,614	4,554	-	6,168
Fee on international telegraphic transfers	421	1,085	-	1,506
Sale of Cheque books	176	503	-	679
ATM withdrawal charges	4,746	13,683	-	18,429
Statement Charges	374	1,076	-	1,450
Commission from TRA collections	98	283	-	381
Other fees and commissions	6,887	16,522	-	23,409
	17,939	49,608	-	67,547
Gross fee and commission income	77,409	177,624	2,272	257,305

13. NET FEE AND COMMISSION INCOME

A) Fee and Commission Income (continued)

Disaggregated of fee and commission income

GROUP				In TZS' Million
Type of service	Corporate Banking	Retail Banking	Treasury	Total
31 December 2020				
Fee income earned from services that are provided over time:				
Service charge on customer accounts	4,859	30,298	-	35,157
Commission on mobile phone services	14,704	36,599	-	51,303
Loan Commitment fees*	3,445	6,262	-	9,707
VISA and master card fees	1,724	7,790		9,514
Commission on letters of credit	5,520	-	-	5,520
Fee on issue of Bank cards	3,692	9,195	-	12,887
Agency Banking	6,393	13,122	-	19,515
Point of sale fees	1,914	4,764	-	6,678
Custodianship Commission	-	-	1,241	1,241
Commission on guarantees and indemnities	9,085	-	-	9,085
	51,336	108,030	1,241	160,607
Fee income from providing financial services at a point in time:				
Salary processing fees	1,429	3,872	-	5,301
Insurance Commission	2,302	5,744	-	8,046
Fee on international telegraphic transfers	122	879	87	1,088
Fee on local transfers and drafts	1,583	4,298	-	5,881
Sale of Cheque books	72	643	-	715
ATM withdrawal charges	4,023	10,100	-	14,123
Statement Charges	399	1,001	-	1,400
Commission from TRA collections	186	463	-	649
Other fees and commissions	1,244	4,859	186	6,282
	11,360	31,859	273	43,485
Gross fee and commission income	62,696	139,889	1,514	204,092

13. NET FEE AND COMMISSION INCOME

A) Fee and Commission Income (continued)

Disaggregated of fee and commission income

BANK				In TZS' Million
Type of service	Corporate Banking	Retail Banking	Treasury	Total
31 December 2021				
Fee income earned from services that are provided over time:				
Service charge on customer accounts	8,991	25611	-	34,602
Commission on mobile phone services	15,883	45226	-	61,109
Loan Commitment fees*	2,518	7171	-	9,689
VISA and master card fees	3,161	9000	-	12,161
Commission on letters of credit	8,329		-	8,329
Fee on issue of Bank cards	4,029	11471	-	15,500
Agency Banking	8,095	23052	-	31,147
Point of sale fees	2,002	5701	-	7,703
Custodianship Commission	-	-	2,267	2,267
Commission on guarantees and indemnities	6,187	-	-	6,187
	59,195	127,232	2,267	188,694
Fee income from providing financial services at a point in time:				
Salary processing fees	1,141	3,284	-	4,425
Insurance Commission	2,405	6,919	-	9,324
Fee on local transfers and drafts	1,462	4,163	-	5,625
Fee on international telegraphic transfers	106	302		408
Sale of Cheque books	166	479	-	645
ATM withdrawal charges	4,719	13,577	-	18,296
Statement Charges	370	1,065	-	1,435
Commission from TRA collections	98	282	-	380
Other fees and commissions	7,540	16,288	-	23,828
	18,007	46,359	-	64,366
Gross fee and commission income	77,202	173,591	2,267	253,060

13. NET FEE AND COMMISSION INCOME

A) Fee and Commission Income (continued)

Disaggregated of fee and commission income

BANK				In TZS' Million
Type of service	Corporate Banking	Retail Banking	Treasury	Total
31 December 2020				
Fee income earned from services that are provided over time:				
Service charge on customer accounts	4,768	29,732	-	34,500
Commission on mobile phone services	14,638	36,368	-	51,006
Loan Commitment fees*	3,427	6,227	-	9,654
VISA and master card fees	1,713	7,739		9,452
Commission on letters of credit	5,489	-	-	5,489
Fee on issue of Bank cards	3,668	9,138	-	12,806
Agency Banking	6,358	13,050	-	19,408
Point of sale fees	1,904	4,737	-	6,641
Custodianship Commission	-	-	1,234	1,234
Commission on guarantees and indemnities	8,972	-	-	8,972
	50,937	106,991	1,234	159,162
Fee income from providing financial services at a point in time:				
Salary processing fees	1,336	3,621	-	4,957
Insurance Commission	1,058	891	-	1,949
Fee on local transfers and drafts	1,479	4,013	-	5,492
Fee on international telegraphic transfers	55	278	154	487
Sale of Cheque books	68	602	-	670
ATM withdrawal charges	3,975	9,980	-	13,955
Statement Charges	395	990	-	1,385
Commission from TRA collections	185	461	-	646
Other fees and commissions	1,226	4,067	179	5,472
	9,777	24,903	333	35,013
Gross fee and commission income	60,714	131,894	1,567	194,021

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B) Fee and Commission Expense

	2021	2020	2021	2020
Commission paid Agency Banking	**30,542**	21,025	**30,490**	21,020
Commission paid Nostro transactions	**6,754**	3,442	**6,754**	3,442
Commission paid to VISA and Mastercard	**13,906**	11,966	**13,906**	11,966
Other fees and commissions	**46**	-	**-**	-
	51,248	36,433	**51,150**	36,428

These are fees which are not integral part in the calculation of effective interest rate for the financial liabilities that are not at FVPL.

14. FOREIGN EXCHANGE INCOME

In TZS' Million	GROUP		BANK	
	2021	2020	2021	2020
Foreign exchange income	**37,768**	36,719	**36,502**	34,444

15. NET GAIN OR (LOSS) ON EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

In TZS' Million	GROUP		BANK	
	2021	2020	2021	2020
Financial assets measured at fair value through profit or loss*	**1,447**	556	**546**	-
Equity investment measured at fair value through profit or loss (Note 29A)	**331**	(485)	**331**	(485)
	1,778	71	**877**	(485)

*Fair value gain relating to UTT investment in Liquid fund that have been classified as a financial asset at FVPL using the fair value option. The gain relates to the financial assets designated at FVPL.

Fair value gains/losses on financial assets designated at FVPL relate to financial instruments that have been classified as financial assets and liabilities at FVPL using fair value option (i.e., excluding the held for trading assets/liabilities). The separation of gains and losses has not been performed in this note as the amounts are immaterial.

16. NET GAIN OR (LOSS) ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FVOCI

In TZS' Million	GROUP		BANK	
	2021	2020	2021	2020
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	**31,084**	19,510	**31,084**	19,510

17. OTHER OPERATING INCOME

In TZS' Million	GROUP		BANK	
	2021	2020	2021	2020
Rental income* (Note 54)	**47**	54	**47**	54
Dividend income	**38**	2,934	**5,171**	5,604
FSDT Assets grant income (Note 45.1)	**833**	1,205	**833**	1,205
Mastercard grant income (Note 45.2)	**-**	64	**-**	-
MIVARF (Note 45.3)	**568**	585	**568**	585
Profit/ (Loss) on disposal of fixed assets	**(78)**	(581)	**(78)**	(517)
	1,408	4,261	**6,541**	6,931

*This represents operating leases.

18. OTHER OPERATING EXPENSES

	In TZS' Million			
	GROUP		BANK	
	2021	2020	2021	2020
Administrative expenses	**68,571**	64,993	**65,586**	62,209
Board Fees*	**1,381**	1,123	**956**	733
Board Expenses**	**3,273**	1,924	**2,443**	1,378
Auditors' fees	**681**	836	**619**	785
Communication and IT costs	**33,622**	28,578	**33,491**	28,394
Marketing and advertising expenses	**12,841**	10,798	**12,202**	10,342
Travelling costs	**10,834**	9,672	**9,916**	9,137
Utilities expenses	**4,998**	4,427	**4,739**	4,296
Repairs and Maintenance	**4,805**	2,484	**4,665**	2,359
Local taxes	**2,893**	3,622	**2,859**	3,585
Shareholders Meetings expenses***	**1,232**	224	**1,232**	223
Other expenses	**5,531**	3,991	**5,415**	3,778
	150,661	132,672	**144,123**	127,219

*Board Fee refers to the retainer fee payable to non-executive directors during the year of service on Board.

**Board expenses are all reasonable out-of-pocket expenses incurred by each non-executive director in connection with attending the meetings of the board and any committee thereof.

*** Shareholders meeting expenses are expenses associated with the Annual General meeting which is being done every year. The costs have increased because of physical and virtually meetings. In 2020 the meeting was held virtually.

Other expenses include several administrative expenses whose individual amount are very small to be disclosed separately i.e., direct sales expenses, business development expenses etc.

During the year there were neither short term lease expense nor expense of leases of low value.

19. DEPRECIATION AND AMORTISATION

	In TZS' Million			
	GROUP		BANK	
	2021	2020	2021	2020
Depreciation of property and equipment (Note 36A)	**40,862**	32,735	**39,941**	32,092
Depreciation of Motor vehicles and mobile branches (Note 36B)	**3,314**	2,879	**3,170**	2,720
Amortization right-of-use assets (Note 37)	**13,041**	12,961	**12,856**	12,766
Amortization of Prepaid operating Lease (Note 38)	**298**	317	**298**	317
Amortization of intangible assets (Note 39)	**9,005**	9,826	**8,795**	9,527
	66,520	58,718	**65,060**	57,422

20. EMPLOYEE BENEFIT EXPENSES

				In TZS' Million
	GROUP		BANK	
	2021	2020	2021	2020
Salaries and wages	**196,016**	186,899	**190,418**	180,259
Bonus	**13,431**	19,687	**13,000**	19,035
Social security contributions	**25,264**	23,981	**24,992**	23,499
Gratuity	**4,305**	4,581	**3,847**	4,072
Employee separation costs	**127**	3,295	**127**	3,295
Leave allowance	**15,287**	14,620	**14,943**	14,153
Medical expenses	**8,574**	8,118	**8,527**	8,001
Staff Welfare	**9,299**	10,581	**9,025**	10,341
Skills & Development Levy	**8,355**	9,310	**8,334**	9,216
Group Personal Accident	**811**	1,373	**809**	1,337
Staff Transfers	**2,357**	1,495	**2,314**	1,380
Staff award	**2,924**	2,748	**2,924**	2,748
Staff uniforms	**3,507**	1,254	**3,489**	1,216
Workman's compensation	**1,470**	1,760	**1,465**	1,740
Retirement benefits	**1,557**	2,660	**1,557**	2,660
Other staff costs*	**504**	692	**475**	642
	293,788	293,054	**286,246**	283,594

*Other staff costs include several employee benefits expenses whose individual amount are very small to be disclosed separately i.e., condolences and burial expenses, staff recruitment associated cost etc.

21. INCOME TAX

(A) Income tax expense – amount recognised in profit or loss

				In TZS' Million
	GROUP		BANK	
	2021	2020	2021	2020
Current income tax – current year*	**106,910**	48,965	**105,601**	46,160
Current income tax – prior years	**2,695**	225	**2,695**	639
Deferred tax – current year	**10,658**	21,069	**10,658**	21,069
Deferred tax – prior years	**(1,058)**	725	**(1,058)**	726
	119,205	70,984	**117,896**	68,594

*The amount includes TZS 1,989mn (2020: NIL) relating to tax chargeable in respect of a foreign subsidiary.

21. INCOME TAX (CONTINUED)

(B) Income tax recoverable

	GROUP		BANK	
In TZS' Million	**2021**	**2020**	**2021**	**2020**
At 1 January	**17,169**	18,962	**17,505**	16,713
Tax recoverable derecognized due to deconsolidation of MFSCL*		(1,639)		-
Payments made during the year	**99,618**	47,777	**98,937**	46,344
Charge to profit or loss	**(109,604)**	(49,190)	**(108,295)**	(46,799)
Withholding tax utilized	**1,757**	1,259	**1,472**	1,247
Closing balance	**8,940**	17,169	**9,619**	17,505

(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	
In TZS' Million	**2021**	**2020**	**2021**	**2020**
Profit before income tax	**387,366**	236,170	**377,513**	221,583
Tax calculated at the statutory income tax rate at 30%	**116,210**	70,851	**113,254**	66,475
Tax effect of:				
Depreciation on non-qualifying assets	**604**	410	**604**	410
Losses on sales of non-qualifying assets	**(17)**	(6)	**(17)**	(6)
Expenses not deductible for tax purposes	**769**	1,505	**769**	
Under provisions of current tax in previous years	**2,695**	639	**2,695**	639
(Over)/under provision of deferred tax in previous years	**(1,058)**	725	**(1,058)**	726
Tax on foreign subsidiary	**1,989**	-	**1,989**	
Dividend received	**(347)**	(1,067)	**(347)**	(1,067)
Other*	**(1,640)**	(2,073)	**7**	(88)
Income tax expense	**119,205**	70,984	**117,896**	68,594
Effective tax rate	**31%**	30%	**31%**	31%

Bank's taxation is based on consistent rate of 30% for both 2021 and 2020.

There is no change in tax rate from the previous year and no amount of temporary differences associated with investments in subsidiaries which can be found in the statement of financial position mainly because of inexistence of temporary difference and the fact that it is unlikely that the difference will be reversed in future.

There were no income tax concessions granted by the Government because of the COVID-19 pandemic, the tax rates are the same as before the pandemic.

*Other includes the effect of the actual lower tax rate in Burundi from the expected 30% due to existing incentives and consolidation tax adjustment.

Uncertainty over income tax treatments

There is no uncertainty over income tax treatments. The adopted tax treatment is consistent with the requirement of the tax law. It is not probable that the allowed deduction will be disallowed by the tax authority during tax audit.

22. EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit attributed to the shareholders of the Group by the weighted average number of ordinary shares outstanding as at close of the year.

				In TZS' Million
	GROUP		BANK	
	2021	2020	2021	2020
Profit for the year (TZS'Million)	**268,161**	165,186	**259,617**	152,989
Number of shares ('Million)	**2,612**	2,612	**2,612**	2,612
Basic and diluted earnings per share (TZS)	**102.67**	63.24	**99.39**	58.57

There were no potentially dilutive ordinary shares outstanding as at 31 December 2021 (2020: Nil). Diluted earnings per share is the same as basic earnings per share.

23 DISTRIBUTIONS MADE AND PROPOSED

		In TZS' Million
	2021	2020
Cash dividends on ordinary shares declared: *		
Dividend declared 2020 TZS 22 per share (2019: TZS 17 per share)	**57,460**	44,401
Proposed dividends on ordinary shares:		
Cash dividend for 2021: TZS 36 per share (2020: TZS 22 per share)	**94,026**	57,460

Non-cash distribution

There was no non-cash distribution during the year (2020: NIL)

The Directors propose payment of a dividend of TZS 36 per share, amounting to TZS 94,026 billion out of 2021 profit to be ratified at the Annual General Meeting to be held in May 2022. In May 2021, dividend of TZS 22 per share, amounting to TZS 57.5 billion was approved by shareholders and paid.

Proposed dividend on ordinary shares is subject to approval at the Annual General Meeting and are not recognised as a liability as at 31 December.

*Represents cash dividends declared in 2020 and paid in 2021 and dividends declared in 2019 paid in 2020.

24. CASH AND BALANCES WITH CENTRAL BANK

				In TZS' Million
	GROUP		BANK	
	2021	2020	2021	2020
Cash in hand	**311,717**	307,431	**304,998**	303,209
Clearing accounts with Central bank	**345,631**	115,524	**332,731**	100,037
Statutory Minimum Reserves (SMR) *	**231,350**	229,963	**231,350**	229,963
	888,698	652,918	**869,079**	633,209

*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 public.

The SMR deposit is required to be at least 7% of customers' total deposits and borrowings from the public and 40% of government's deposits. In 2020, the monetary policy measures were amplified to alleviate the economy from the negative impact of COVID-19 by lowering the statutory minimum reserve (SMR) requirement ratio by 100 basis points to 6% and cutting discount rate by 200 basis points to 5%. Furthermore, in 2021 the Central bank issued a circular on the reduction of Statutory Minimum Reserve requirement (SMR) that, all loans which will be extended to agriculture at rate not more than 10% will qualify for SMR reduction equivalent to loan amount extended

The required reserve ratio determined by the Bank of the Republic of Burundi is set at 3% of the total deposit liabilities, remain unchanged from previous year.

24. CASH AND BALANCES WITH CENTRAL BANK (CONTINUED)

The allowance for ECL relating to Cash and balances with Central bank in 2021 and 2020 is immaterial.

Effective from 20th June 2017, the Bank of Tanzania unified the Statutory Minimum Reserves (SMR) account with the Clearing accounts to increase flexibility in liquidity management by banks and promote sustainability and short-term interest rates.

Deposits with the Central Bank represent mandatory reserve deposits and are not available for use in the Bank's Day–to–day operations. For this reason, does not meet the criteria for cash and cash equivalent. Cash in hand and balanlentral bank are non-interest-bearing assets.

The table below shows the credit quality for the gross carrying amount of cash and balances with central per stages 1, 2 and 3 based on the bank's internal credit rating system, and year-end stage classification.

GROUP					In TZS' Million
31 December 2021	**12 month PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade					
High grade	0.0%-0.5%	**888,698**	-	-	**888,698**
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		**888,698**	-	-	**888,698**
31 December 2020					
High grade	0.0%-0.5%	652,918	-	-	652,918
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		652,918	-	-	652,918

BANK					In TZS' Million
31 December 2021	**12 month PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade					
High grade	0.0%-0.5%	**869,079**	-	-	**869,079**
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		**869,079**	-	-	**869,079**
31 December 2020					
High grade	0.0%-0.5%	633,209	-	-	633,209
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		633,209	-	-	633,209

25. DUE FROM BANKS

	GROUP		BANK	
In TZS' Million	2021	2020	2021	2020
Cheques and items for clearing	**750**	4,544	**10**	2,035
Nostro accounts balances	**121,250**	168,017	**117,409**	167,963
Placements with other banks	**372,545**	190,873	**326,694**	213,741
Less: Allowance for ECL	**(1,329)**	(1,532)	**(1,329)**	(1,532)
	493,216	361,902	**442,784**	382,207

Maturity analysis

	GROUP 2021	GROUP 2020	BANK 2021	BANK 2020
Redeemable on demand (*within 3 months*)				
- Cheques and items for clearing	**750**	4,544	**10**	2,035
- Nostro accounts balances	**121,250**	168,017	**117,409**	167,963
Placements with other banks				
- Maturing within 3 months	**372,545**	190,873	**326,694**	201,897
- Maturity after 1 year	**-**	-	**-**	11,844
Less: Allowance for ECL	**(1,329)**	(1,532)	**(1,329)**	(1,532)
	493,216	361,902	**442,784**	382,207

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	
In TZS' Million **Placement with other banks**	2021	2020	2021	2020
At start of year	**190,873**	226,759	**213,741**	255,419
Additions	**11,702,976**	5,479,110	**11,657,125**	5,479,110
Matured	**(11,521,304)**	(5,514,996)	**(11,544,172)**	(5,520,788)
At end of year	**372,545**	190,873	**326,694**	213,741
Less: Allowance for ECL	**(1,246)**	(1,454)	**(1,246)**	(1,454)
	371,299	189,419	**325,448**	212,287

- ECL for nostro accounts balances and cheques and items for clearing are immaterial.
- The placements made at the year-end 2021 was for high rated banks with low credit risk as rated by Credit rating agencies which resulted into low ECL as compared with an increase in gross carrying amount.

An analysis of changes in the gross carrying amount in relation to placement with other banks is, as follows:

25. DUE FROM BANKS (CONTINUED)

GROUP		In TZS' Million
Placement with other banks	**Stage 1**	**Total**
Gross carrying amount as at 1 January 2021	**190,873**	**190,873**
New financial assets originated or purchased	**11,699,682**	**11,699,682**
Payments received and financial assets derecognised	**(11,521,304)**	**(11,521,304)**
Accrued interest	**3,294**	**3,294**
Gross carrying amount as at 31 December 2021	**372,545**	**372,545**
Loss allowance as at 31 December 2021	**1,246**	**1,246**
Gross carrying amount as at 1 January 2020	226,710	226,710
New financial assets originated or purchased*	5,478,716	5,478,716
Payments received and financial assets derecognised	(5,514,996)	(5,514,996)
Accrued interest	443	443
Gross carrying amount as at 31 December 2020	190,873	190,873
Loss allowance as at 31 December 2020	1,454	1,454

BANK		In TZS' Million
Placement with other banks	**Stage 1**	**Total**
Gross carrying amount as at 1 January 2021	**213,741**	**213,741**
New financial assets originated or purchased	**11,653,680**	**11,653,680**
Payments received and financial assets derecognised	**(11,544,172)**	**(11,544,172)**
Accrued interest	**3,445**	**3,445**
Gross carrying amount as at 31 December 2021	**326,694**	**326,694**
Loss allowance as at 31 December 2021	**1,246**	**1,246**
Gross carrying amount as at 1 January 2020	253,702	253,702
New financial assets originated or purchased*	5,479,794	5,479,794
Payments received and financial assets derecognised	(5,520,788)	(5,520,788)
Accrued interest	1,033	1,033
Gross carrying amount as at 31 December 2020	213,741	213,741
Loss allowance as at 31 December 2020	1,454	1,454

*The amount of new financial asset originated or purchased for prior year was updated to remove the impact of accrued interest that was double counted in the analysis. This correction did not impact the gross carrying amount of the placements with other Banks, profit for the year, earnings per share (basic and diluted), the statement of financial position, key ratios, or statement of cash flow.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. DUE FROM BANKS (CONTINUED)

The table below shows the gross carrying amount of nostro accounts balances and cheques and items for clearing per credit risk, based on the bank's internal credit rating system, and year-end stage classification.

GROUP					In TZS' Million
31 December 2021	12 month PD range	Stage 1	Stage 2	Stage 3	Total
Internal rating grade					
High grade	0.0%-0.5%				
Standard grade	0.5%-11.7%	**372,545**	**-**	**-**	**372,545**
Sub-standard grade	11.7%-29.5%	**-**	**-**	**-**	**-**
Low grade	29.5%-100.0%	**-**	**-**	**-**	**-**
Individually impaired	100%	**-**	**-**	**-**	**-**
Gross Carrying amount		**372,545**	**-**	**-**	**372,545**
31 December 2020					
High grade	0.0%-0.5%				
Standard grade	0.5%-11.7%	190,873	-	-	190,873
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		190,873	-	-	190,873

BANK					In TZS' Million
31 December 2021	12 month PD range	Stage 1	Stage 2	Stage 3	Total
Internal rating grade					
High grade	0.0%-0.5%				
Standard grade	0.5%-11.7%	**326,694**	**-**	**-**	**326,694**
Sub-standard grade	11.7%-29.5%	**-**	**-**	**-**	**-**
Low grade	29.5%-100.0%	**-**	**-**	**-**	**-**
Individually impaired	100%	**-**	**-**	**-**	**-**
Gross Carrying amount		**326,694**	**-**	**-**	**326,694**
31 December 2020					
High grade	0.0%-0.5%				
Standard grade	0.5%-11.7%	213,741	-	-	213,741
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		213,741	-	-	213,741

25. DUE FROM BANKS (CONTINUED)

The table below shows the gross carrying amount of nostro accounts balances and cheques and items for clearing per credit risk, based on the bank's internal credit rating system, and year-end stage classification.

GROUP					In TZS' Million
31 December 2021	**12 month PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade					
High grade	0.0%-0.5%				
Standard grade	0.5%-11.7%	**122,000**	**-**	**-**	**122,000**
Sub-standard grade	11.7%-29.5%	**-**	**-**	**-**	**-**
Low grade	29.5%-100.0%	**-**	**-**	**-**	**-**
Individually impaired	100%	**-**	**-**	**-**	**-**
Gross Carrying amount		**122,000**	**-**	**-**	**122,000**
31 December 2020					
High grade	0.0%-0.5%				
Standard grade	0.5%-11.7%	172,561	-	-	172,561
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		172,561	-	-	172,561

BANK					In TZS' Million
31 December 2021	**12 month PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade					
High grade	0.0%-0.5%				
Standard grade	0.5%-11.7%	**117,419**	**-**	**-**	**117,419**
Sub-standard grade	11.7%-29.5%	**-**	**-**	**-**	**-**
Low grade	29.5%-100.0%	**-**	**-**	**-**	**-**
Individually impaired	100%	**-**	**-**	**-**	**-**
Gross Carrying amount		**117,419**	**-**	**-**	**117,419**
31 December 2020					
High grade	0.0%-0.5%				
Standard grade	0.5%-11.7%	169,998	-	-	169,998
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		169,998	-	-	169,998

25. DUE FROM BANKS (CONTINUED)

An analysis of movement of ECL is, as follows:

GROUP AND BANK				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2021	**1,532**	-	-	**1,532**
Charge/(release) for the period	**(203)**	-	-	**(203)**
Loss allowance as at 31 December 2021	**1,329**	-	-	**1,329**

As at 31 December 2020	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	**626**	-	-	626
Charge/(release) for the period	**813**	-	-	813
Changes in model/assumptions**	**93**	-	-	93
Loss allowance as at 31 December 2020	**1,532**	-	-	1,532

**For customer with sovereign rating portfolio the PD and LGD is determined by looking up in transition matrices for time horizon of one year, published by external rating agencies. However, when the counterparty is not rated by external rating agencies, so it has no rating, and no externally available value of PD. The Bank set up an internal model for determining the PD value where each customer is assigned a credit rating reflective of their creditworthiness by using Analytic Hierarchy Process (AHP) which is a multi-criteria decision-making method based on mathematics and credit risk analysis rather than using the general country rating PD for each counterpart not rated. The counterparties PD range from 0.35% to 1.93%.

26. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

				In TZS' Million
	GROUP		BANK	
	2021	**2020**	**2021**	**2020**
UTT Investment in Liquid Fund	**6,290**	5,572	**-**	-
Financial Assets held for trading	**20,807**	-	**20,807**	-
	27,097	5,572	**20,807**	-

- During the year, the Group invested in treasury bond held for trading.
- The total amount also includes Group's subsidiary CRDB Insurance Brokerage Company Ltd investment in UTT Liquid Fund Unit Trust Scheme for the purpose of cashflow management. Management elected the designation of the financial assets at FVPL since initial recognition as required by IFRS 9 and no changes of classification at the reporting date. The financial asset is not held for trading.
- The carrying amount for financial assets held for trading best represent maximum exposure to credit risk.

27. DEBT INSTRUMENTS

	GROUP		BANK	
In TZS' Million	2021	2020	2021	2020
Debt instruments at amortized cost				
Treasury bills	**303,606**	144,751	**283,103**	124,036
Treasury and corporate bonds	**899,258**	851,305	**718,730**	719,512
Less: Allowance for ECL	**(271)**	(232)	**(270)**	(301)
	1,202,593	995,824	**1,001,563**	843,316
Debt instruments at FVOCI				
Treasury bond	**424,232**	501,074	**424,232**	501,074
Less: Allowance for ECL	**(72)**	(69)	**(72)**	(69)
	424,160	501,005	**424,160**	501,005

Treasury bills and bonds are debt securities issued by the Government. As at 31 December 2021, treasury bonds amounting to TZS 293,152 million (2020: TZS 103,252 million) had been pledged as collateral for various short-term borrowings from other Banks.

The fair value of the Treasury bills and bonds pledged as collateral approximate the carrying amount. In case of default, the lender has the rights over the debt securities pledged by the Bank.

The Bank did not have any debt instrument measured at FVOCI which were pledged as collateral as at 31 December 2021 (2020: Nil). As at 31 December, there were neither transferred financial assets nor repurchase and securities lending transactions (2020: Nil).

The maturity analysis of debt instruments net of ECL is as follows:

	GROUP		BANK	
In TZS' Million	2021	2020	2021	2020
Maturing within 3 months				
Treasury bills	**16,308**	35,119	**12,860**	4,984
Treasury bonds	**40,155**	13,383	**35,515**	38,926
Maturing after 3 months - 12 months				
Treasury bills	**274,104**	119,035	**270,353**	119,035
Treasury bonds	**275,278**	47,987	**103,936**	47,987
Maturing after 12 months				
Treasury bonds	**1,020,908**	780,300	**1,003,059**	632,384
	1,626,753	995,824	**1,425,723**	843,316
Current	**605,845**	215,524	**422,664**	210,932
Non-current	**1,020,908**	780,300	**1,003,059**	632,384
	1,626,753	995,824	**1,425,723**	843,316

All debt instruments for the Group and Bank measured at FVOCI are non-current.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. DEBT INSTRUMENTS (CONTINUED)

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

GROUP				In TZS' Million
	Amortised Cost		FVOCI	Total
31 December 2021	Treasury bills	Treasury bonds		
At start of year	**144,751**	**851,305**	**501,074**	**1,497,130**
New financial assets purchased	**295,690**	**88,420**	**29,404**	**413,514**
Accrued interest	**7,916**	**25,093**	**13,431**	**46,440**
Payments received and financial assets derecognised	**(144,751)**	**(65,560)**	**(177,180)**	**(387,492)**
Revaluation gain on debt instrument at FVOCI	**-**	**-**	**57,503**	**57,503**
At end of year	**303,606**	**899,258**	**424,232**	**1,627,095**
Less: Allowance for ECL	**(39)**	**(232)**	**(72)**	**(342)**
Net debt instruments	**303,567**	**899,026**	**424,160**	**1,626,753**
31 December 2020				
At start of year	211,894	732,061	477,434	1,421,389
New financial assets purchased	140,119	115,127	318,619	433,746
Accrued interest	4,632	20,549	16,304	41,485
Payments received and financial assets derecognised	(211,894)	(16,432)	(334,338)	(562,664)
Revaluation gain on debt instrument at FVOCI	-	-	23,055	23,055
At end of year	144,751	851,305	501,074	1,497,130
Less: Allowance for ECL	(17)	(215)	(69)	(301)
Net debt instruments	144,734	851,090	501,005	1,496,829

27. DEBT INSTRUMENTS (CONTINUED)

An analysis of changes in the gross carrying amount in relation to debt instruments for the Bank is, as follows:

BANK				In TZS' Million
	Amortised Cost		FVOCI	Total
31 December 2021	Treasury bills	Treasury bonds		
At start of year	124,036	719,512	501,074	1,344,622
New financial assets purchased	275,721	40,836	29,404	345,961
Accrued interest	7,382	19,325	13,431	40,138
Payments received and financial assets derecognised	(124,036)	(60,943)	(177,180)	(362,159)
Revaluation gain on debt instrument at FVOCI	-	-	57,503	57,503
At end of year	283,103	718,730	424,232	1,426,065
Less: Allowance for ECL	(39)	(231)	(72)	(342)
Net debt instruments	283,064	718,499	424,160	1,425,723
As at 31 December 2020				
At start of year	207,251	605,253	477,434	1,289,938
New financial assets purchased	120,067	111,523	318,619	430,142
Accrued interest	3,969	17,154	16,304	37,427
Payments received and financial assets derecognised	(207,251)	(14,418)	(334,338)	(556,007)
Revaluation gain on debt instrument at FVOCI	-	-	23,055	23,055
At end of year	124,036	719,512	501,074	1,344,622
Less: Allowance for ECL	(17)	(215)	(69)	(301)
Net debt instruments	124,019	719,297	501,005	1,344,321

During the year, the Bank did not reclassify instruments from amortised cost into fair value through profit or loss (FVPL) or from FVOCI into FVPL.

Debt instruments measured at amortised cost

An analysis of changes in the gross carrying amount in relation to debt instruments at amortised cost is, as follows:

GROUP	Stage 1		Total
Debt instruments at amortised cost 31 December 2021	Treasury bills	Treasury bonds	
Gross carrying amount as at 1 January 2021	144,751	851,305	996,056
New financial assets originated or purchased	303,606	88,420	392,026
Accrued interest	-	25,093	25,093
Payments received and financial assets derecognised	(144,751)	(65,560)	(210,311)
Gross carrying amount as at 31 December 2021	303,606	899,258	1,202,864
Loss allowance as at 31 December 2021	39	232	271

27. DEBT INSTRUMENTS (CONTINUED)

GROUP	Stage 1		Total
Debt instruments at amortised cost 31 December 2020	**Treasury bills**	**Treasury bonds**	
Gross carrying amount as at 1 January 2020	211,894	732,061	943,955
New financial assets originated or purchased	144,751	115,127	259,878
Accrued interest	-	20,549	20,549
Payments received and financial assets derecognised	(211,894)	(16,432)	(228,326)
Gross carrying amount as at 31 December 2020	144,751	851,305	996,056
Loss allowance as at 31 December 2020	17	215	232

BANK	Stage 1		Total
Debt instruments at amortised cost 31 December 2021	**Treasury bills**	**Treasury bonds**	
Gross carrying amount as at 1 January 2021	**124,036**	**719,512**	**843,548**
New financial assets originated or purchased	**283,103**	**40,836**	**323,939**
Accrued interest	**-**	**19,325**	**19,325**
Payments received and financial assets derecognised	**(124,036)**	**(60,943)**	**(184,979)**
Gross carrying amount as at 31 December 2021	**283,103**	**718,730**	**1,001,833**
Loss allowance as at 31 December 2021	**39**	**231**	**270**
31 December 2020			
Gross carrying amount as at 1 January 2020	207,251	605,253	812,504
New financial assets originated or purchased	124,036	111,523	235,559
Accrued interest	-	17,154	17,154
Payments received and financial assets derecognised	(207,251)	(14,418)	(221,669)
Gross carrying amount as at 31 December 2020	124,036	719,512	843,548
Loss allowance as at 31 December 2020	17	215	232

The table below shows the gross carrying amount of the debt instruments measured at amortised cost by credit risk, based on the bank's internal credit rating system, and year-end stage classification.

GROUP					In TZS' Million
31 December 2021	**12 month PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade					
High grade	0.0%-0.5%	**1,202,864**	**-**	**-**	**1,202,864**
Standard grade	0.5%-11.7%	**-**	**-**	**-**	**-**
Sub-standard grade	11.7%-29.5%	**-**	**-**	**-**	**-**
Low grade	29.5%-100.0%	**-**	**-**	**-**	**-**
Individually impaired	100%	**-**	**-**	**-**	**-**
Gross Carrying amount		**1,202,864**	**-**	**-**	**1,202,864**

27. DEBT INSTRUMENTS (CONTINUED)

GROUP 31 December 2020	12 month PD range	Stage 1	Stage 2	Stage 3	In TZS' Million Total
High grade	0.0%-0.5%	996,056	-	-	996,056
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		996,056	-	-	996,056

BANK 31 December 2021	12 month PD range	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Internal rating grade					
High grade	0.0%-0.5%	**1,001,833**	**-**	**-**	**1,001,833**
Standard grade	0.5%-11.7%	**-**	**-**	**-**	**-**
Sub-standard grade	11.7%-29.5%	**-**	**-**	**-**	**-**
Low grade	29.5%-100.0%	**-**	**-**	**-**	**-**
Individually impaired	100%	**-**	**-**	**-**	**-**
Gross Carrying amount		**1,001,833**	**-**	**-**	**1,001,833**
31 December 2020					
High grade	0.0%-0.5%	843,548	-	-	843,548
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		843,548	-	-	843,548

An analysis of movement of ECL in relation to Debt instruments at amortised cost is, as follows:

GROUP AND BANK	Stage 1		In TZS' Million Total
31 December 2021	Treasury bills	Treasury bonds	
As at 1 January 2021	**17**	**215**	**232**
Charge/(release) for the period	**22**	**17**	**39**
Loss allowance as at 31 December 2021	**39**	**232**	**271**
As at 31 December 2020			
As at 1 January 2020	893	1,791	2,132
Charge/(release) for the period	(11)	44	33
Changes in model/assumptions**	(865)	(1,620)	(2,485)
Loss allowance as at 31 December 2020	17	215	232

27. DEBT INSTRUMENTS (CONTINUED)

Debt instruments measured at FVOCI

An analysis of changes in the gross carrying amount in relation to Debt instruments at FVOCI is, as follows:

GROUP AND BANK Debt instruments at FVOCI 31 December 2021	In TZS' Million Stage 1	Total
Gross carrying amount as at 1 January 2021	**501,074**	**501,074**
New financial assets originated or purchased	**29,404**	**29,404**
Accrued Interest	**13,431**	**13,431**
Payments received and financial assets derecognised	**(177,180)**	**(177,180)**
Revaluation gain on debt instrument at FVOCI	**57,503**	**57,503**
Gross carrying amount as at 31 December 2021	**424,232**	**424,232**
Loss allowance as at 31 December 2021	**72**	**72**
As at 31 December 2020		
Gross carrying amount as at 1 January 2020	477,434	477,434
New financial assets originated or purchased	318,619	318,619
Accrued Interest	16,304	16,304
Payments received and financial assets derecognised	(334,338)	(334,338)
Revaluation gain on debt instrument at FVOCI	23,055	23,055
Gross carrying amount as at 31 December 2020	501,074	501,074
Loss allowance as at 31 December 2020	69	69

Debt instruments measured at FVOCI

The table below shows the fair value of the debt instruments measured at FVOCI by credit risk, based on the bank's internal credit rating system, and year-end stage classification.

BANK AND GROUP 31 December 2021	12 month PD range	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Internal rating grade					
High grade	0.0%-0.5%	**424,232**	-	-	**424,232**
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		**424,232**	-	-	**424,232**
31 December 2020					
High grade	0.0%-0.5%	501,074	-	-	501,074
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		501,074	-	-	501,074

27. DEBT INSTRUMENTS (CONTINUED)

In relation to grading of debt instruments measured at amortised cost and FVOCI, the Bank suggests that 'investment grade' rating which is classified as high grade under the Bank's internal rating system as an indicator for a low credit risk and use PD rate of 0.03% and LGD of 45% as recommended by Basel for non-collateralized facility.

An analysis of movement of ECL in relation to Debt instruments measured at FVOCI is, as follows:

GROUP AND BANK		In TZS' Million
31 December 2021	**FVOCI**	**Total**
As at 1 January 2021	**69**	**69**
Charge/(release) for the period	**3**	**3**
Changes in model/assumptions**	**-**	**-**
Loss allowance as at 31 December 2021	**72**	**72**
31 December 2020		
As at 1 January 2020	1,342	1,342
Charge/(release) for the period	28	28
Changes in model/assumptions**	(1,301)	(1,301)
Loss allowance as at 31 December 2020	69	69

**The model considers changes in assumption by reassessing the credit risk of Government securities instead of using the general country rating. The assessment noted Government securities has no historical default hence has low credit risk .The Bank further assessed COVID-19 impact on investment of Government securities been insignificant as the Central Bank of Tanzania has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

28. CREDIT CARDS

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to credit cards is, as follows

				In TZS' Million
	GROUP		**BANK**	
	2021	**2020**	**2021**	**2020**
Carrying amount	**1,973**	1,919	**1,973**	1,919
Less: Allowance for ECL	**(129)**	(1,390)	**(129)**	(1,390)
Net Credit cards	**1,844**	529	**1,844**	529

An analysis of credit cards based on internal rating are summarised as follows:

GROUP AND BANK				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**1,849**	**-**	**-**	**1,849**
Especially mentioned	**-**	**17**	**-**	**17**
Sub-standard	**-**	**-**	**14**	**14**
Doubtful	**-**	**-**	**44**	**44**
Loss	**-**	**-**	**49**	**48**
Gross Carrying amount	**1,849**	**17**	**107**	**1,973**
Less: Allowance for ECL	**44**	**6**	**79**	**129**
Net Credit cards	**1,805**	**11**	**28**	**1,844**

28. CREDIT CARDS (CONTINUED)

GROUP AND BANK				In TZS' Million
31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Current	515	-	-	515
Especially mentioned	-	35	-	35
Sub-standard	-	81	-	81
Doubtful	-	-	-	-
Loss	-	-	1,288	1,288
Gross Carrying amount	515	116	1,288	1,919
Less: Allowance for ECL	(10)	(92)	(1,288)	(1,390)
Net Credit cards	505	24	-	529

An analysis of changes in the gross carrying amount in relation to credit cards is, as follows:

GROUP AND BANK				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2021	**515**	**116**	**1,288**	**1,919**
Changes in the gross carrying amount				
-Transfer to stage 1	**128**	**(80)**	**(48)**	**-**
-Transfer to stage 2	**(1)**	**1**	**-**	**-**
-Transfer to stage 3	**(155)**	**(8)**	**163**	**-**
New financial assets purchased	**1,411**	**-**	**-**	**1,411**
Accrued interest	**15**	**-**	**-**	**15**
Payments received and financial assets derecognised	**(64)**	**(12)**	**(8)**	**(84)**
Write off	**-**	**-**	**(1,288)**	**(1,288)**
Gross carrying amount as at 31 December 2021	**1,849**	**17**	**107**	**1,973**
Loss allowance as at 31 December 2021	**44**	**6**	**79**	**129**

31 December 2020				
Gross carrying amount as at 1 January 2020	1,335	-	-	1,335
Changes in the gross carrying amount				
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	(47)	47	-	-
-Transfer to stage 3	(1,288)	-	1,288	-
New financial assets purchased	4,004	69	-	4,073
Accrued interest	14	-	-	14
Payments received and financial assets derecognised	(3,503)	-	-	(3,503)
Gross carrying amount as at 31 December 2020	515	116	1,288	1,919
Loss allowance as at 31 December 2020	10	92	1,288	1,390

28. CREDIT CARDS (CONTINUED)

An analysis of changes in the corresponding ECL allowances in relation to credit cards is, as follows:

GROUP AND BANK				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January 2021	**10**	**92**	**1,288**	**1,390**
Change in the loss allowance				
-Transfer to stage 1	**55**	**(9)**	**(46)**	**-**
-Transfer to stage 2	**-**	**-**	**-**	**-**
-Transfer to stage 3	**(29)**	**(67)**	**96**	**-**
New financial assets purchased	**59**	**-**	**-**	**59**
Financial assets derecognized	**(13)**	**(12)**	**(5)**	**(30)**
Impact on ECL transfers	**(38)**	**2**	**33**	**(2)**
Write off	**-**	**-**	**(1,288)**	**(1,288)**
Loss allowance as at 31 December 2021	**44**	**6**	**79**	**129**
31 December 2020				
Loss allowance as at 1 January 2020	23	-	-	23
Change in the loss allowance				
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	-	-	-	-
-Transfer to stage 3	(23)	-	23	-
New financial assets purchased	10	92	-	102
Impact on ECL transfers	-	-	1,265	1,265
New financial assets originated or purchased	-	-	-	-
Loss allowance as at 31 December 2020	10	92	1,288	1,390

The decrease in ECL is due to write off non-performing portfolio during the year.

An analysis of movement of ECL in relation to Credit Card is, as follows:

GROUP AND BANK		In TZS' Million
31 December 2021		**Total**
As at 1 January 2021	**1,390**	**1390**
Charge/(release) for the period	**(682)**	**(682)**
Changes in model/assumptions**	**-**	**-**
Write off	**(579)**	**(579)**
Loss allowance as at 31 December 2021	**129**	**129**
31 December 2020		
As at 1 January 2020	(23)	(23)
Charge/(release) for the period	(1,367)	(1,367)
Changes in model/assumptions**	-	-
Loss allowance as at 31 December 2020	1,390	1,390

29A. EQUITY INVESTMENTS AT FVPL

	In TZS' Million			
	GROUP		BANK	
	2021	2020	2021	2020
At 1 January	**2,555**	3,040	**2,555**	3,040
Additions	**-**	-	**-**	-
Revaluation gain/ (loss)	**331**	(485)	**331**	(485)
At 31 December	**2,886**	2,555	**2,886**	2,555

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 2021, mainly being savings and time deposits. The percentage shareholding of the Bank in TACOBA as at 31 December 2021 was 7.7% (2020: 7.7%). The Group holds 3.2 million preference shares and 100,000 ordinary shares of TACOBA with a total value of TZS 2,886 million (2020: TZS 2,555 million). The cumulative change in fair value of the financial assets at FVPL to changes in market condition since the financial asset was designated amounts to a loss of TZS 268 million (2020: loss of TZS 645 million) and the change for the current year is a gain of TZS 331 million (2020: loss TZS 485 million).

The investment is measured at FVPL since initial recognition as required by IFRS 9 and no changes of classification at the reporting date. The equity investment is not held for trading.

29B. EQUITY INVESTMENTS AT FVOCI

	In TZS' Million			
	GROUP		BANK	
	2021	2020	2021	2020
Investment in Tanzania Mortgage Refinance Company (TMRC)	**4,866**	3,795	**4,866**	3,795
Investment in Dar es Salaam Stock Exchange (DSE)	**426**	288	**426**	288
Investment in Kilimanjaro Community Bank (KCBL)	**5,187**	4,405	**5,187**	4,405
Burundi National switch	**116**	135	**-**	-
	10,595	8,623	**10,479**	8,488

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 2021 was 17.14% (2020: 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 2021 was 1.6% (2020: 1.6%).

Kilimanjaro Cooperative Bank Limited (KCBL) was registered under Cooperative Societies Act, 1991 (Revised in 2003 and 2013) and was granted banking license no. CBA 008 on 4th August 1995 to operate as a community bank in Kilimanjaro Region. The bank started operations on 10th July 1996, becoming the first Cooperative Bank in the country, 100% owned by Tanzanians. The bank's target market are individuals and cooperative societies including AMCOS and SACCOS.

The percentage shareholding of the Bank in KCBL as at 31 December 2021 was 51% (2020: 51%). CRDB Bank Plc have no control over KCBL.

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 2021 was 0.52% (2020: 0.52%).

The FVOCI designation was made because the investments are expected to be held for the long term for strategic purposes.

In 2021, the Group and Bank received dividends of TZS 38 million (2020: 30 million) 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 2021. The Bank did not have any debt instruments measured at FVOCI which were pledged as collateral as at 31 December 2021 (2020: nil).

The fair value of unquoted equity investments (KCBL) is estimated using discounted cash flow techniques. The following methods and assumptions were used to estimate fair values:

- The cash flow projection of the investment for the remaining period has been considered as at 31 December 2021.
- A discount rate of 16% per annum as a weighted average lending rate and average Treasury bond rate between 2-5 years.

29B. EQUITY INVESTMENTS AT FVOCI (CONTINUED)

The Group held the following shares in the above equity investment as at 31 December 2021:

		In TZS' Million
Investment	**Number of shares**	**Value of shares**
Tanzania Mortgage Refinance Company (TMRC)	3,000,000	4,866
Dar es Salaam Stock Exchange (DSE)	327,632	426
Burundi National switch	10,000	116
Kilimanjaro Cooperative Bank (KCBL)*	1,400,000	5,187

* The shares held by the Group in KCBL are preference shares.

30. LOANS AND ADVANCES TO CUSTOMERS)

GROUP				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Corporate	**1,842,800**	**210,471**	**86,876**	**2,140,147**
SME	**467,675**	**58,235**	**35,160**	**561,070**
Microfinance	**106,286**	**3,159**	**3,769**	**113,214**
Mortgage	**47,569**	**5,709**	**3,667**	**56,945**
Personal	**2,261,006**	**15,444**	**27,436**	**2,303,886**
Gross loans and advances to customers	**4,725,336**	**293,018**	**156,908**	**5,175,262**
Less: Provision for impairment	**(41,689)**	**(27,221)**	**(65,984)**	**(134,894)**
Net loans and advances to customers	**4,683,647**	**265,797**	**90,924**	**5,040,368**
As at 31 December 2020				
Corporate	1,152,644	221,670	109,886	1,484,200
SME	371,053	69,103	35,510	475,666
Microfinance	38,534	7,882	4,198	50,614
Mortgage	1,930,869	24,122	27,806	1,982,797
Personal	78,765	2,037	1,525	82,327
Gross loans and advances to customers	3,571,865	324,814	178,925	4,075,604
Less: Provision for impairment	(38,745)	(12,280)	(95,483)	(146,508)
Net loans and advances to customers	3,533,120	312,534	83,442	3,929,096

BANK				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Corporate	**1,795,322**	**209,722**	**86,726**	**2,091,770**
SME	**464,471**	**57,908**	**34,834**	**557,213**
Microfinance	**96,507**	**3,159**	**3,767**	**103,433**
Mortgage	**47,569**	**5,709**	**3,667**	**56,945**
Personal	**2,186,520**	**15,014**	**27,276**	**2,228,810**
Gross loans and advances to customers	**4,590,389**	**291,512**	**156,270**	**5,038,171**
Less: Provision for impairment	**(41,725)**	**(27,200)**	**(65,798)**	**(134,723)**
Net loans and advances to customers	**4,548,664**	**264,312**	**90,472**	**4,903,448**

30. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

BANK				In TZS' Million
As at 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Corporate	1,147,122	220,734	109,702	1,477,558
SME	369,249	69,080	35,328	473,657
Microfinance	32,367	7,882	4,198	44,447
Mortgage	1,876,171	24,392	27,238	1,927,801
Personal	71,271	2,037	1,524	74,832
Gross loans and advances to customers	3,496,180	324,125	177,990	3,998,295
Less: Provision for impairment	(38,731)	(12,279)	(95,127)	(146,137)
Net loans and advances to customers	3,457,449	311,846	82,863	3,852,158

Despite COVID-19 Pandemic, credit portfolio performance has been relatively stable in the year 2021. An impact was noted in sectors directly impacted such as hotels and restaurants, tourism, education because of school closure, transport, and slight impact for customers whose main business is exportation. However, the Bank took pro-active measures to engage customers' timely and modified repayment schedules including granting moratorium period of payment of principal only or both, principal and accrued interest depending on the needs.

There has been notable improvement in credit portfolio performance in the year 2021 compared to 2020 as evidenced by decrease in non-performing loan (NPL) ratio of 3.3% in December 2021 compared to 4.4% in December 2020. The Bank has attained this through establishing pro-active portfolio monitoring strategies through containment of migration, automatic identification of early warning signals and take corrective actions, strategic growth in portfolio with higher yield but lower credit risk such as consumer loans, de-risking strategy, timely restructuring of credit facilities to align with the anticipated cash flows and writing off accounts in line with BOT guidelines.

In 2021, the Group and Bank did not acquire a portfolio categorised as POCI.

The contractual amount outstanding on financial assets written off by the Bank as at 31 December 2021 and that are still subject to enforcement activity was TZS 100,096 million (2020: TZS 124,930 million).

Maturity analysis

The maturity analysis is based on the remaining periods to contractual maturity from year end.

				In TZS' Million
	GROUP		BANK	
	2021	**2020**	**2021**	**2020**
- Maturity within 3 months	**749**	229,870	**47**	229,870
- Maturing after 3 months but within 12 months	**495,551**	556,327	**488,597**	556,327
- Maturity after 1 year	**4,544,068**	3,142,899	**4,414,804**	3,065,961
Net loans and advances to customers	**5,040,368**	3,929,096	**4,903,448**	3,852,158

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 have not considered interest in suspense.

				In TZS' Million
	GROUP		BANK	
	2021	**2020**	**2021**	**2020**
Dar es Salaam zone	**2,812,822**	2,021,088	**2,812,823**	2,005,115
Mbeya zone	**504,257**	463,996	**504,257**	463,996
Lake zone	**750,232**	712,554	**750,232**	712,554
Zanzibar zone	**463,847**	374,187	**463,847**	374,187
Arusha zone	**507,014**	442,443	**507,012**	442,443
Burundi	**137,090**	61,336	**-**	-
Gross loans and advances to customers	**5,175,262**	4,075,604	**5,038,171**	3,998,295

30. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

Analysis of impairment by industry;

				In TZS' Million
	GROUP		BANK	
	2021	2020	2021	2020
Agriculture	**22,515**	49,143	**22,515**	49,143
Building and Construction	**4,566**	5,744	**4,566**	5,744
Education	**10,709**	497	**10,707**	497
Electricity	**445**	10	**427**	10
Financial Intermediaries	**108**	1,087	**108**	1,077
Hotels and restaurants	**286**	2,261	**282**	2,261
Manufacturing	**6,035**	2,732	**6,035**	2,732
Mortgage	**2,397**	1,746	**2,397**	1,746
Personal (Private)	**56,578**	60,748	**56,576**	60,744
Real Estate	**4,709**	2,126	**4,705**	2,126
Trade	**12,395**	8,170	**12,297**	7,813
Transport and Communication	**12,918**	10,969	**12,879**	10,969
Mining and quarrying	**241**	1,011	**236**	1,011
Others	**993**	264	**993**	264
Total loss allowance	**134,894**	146,508	**134,723**	146,137

Analysis of movement in the ECL;

GROUP				**In TZS' Million**
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
At 1 January 2021	**38,745**	**12,280**	**95,483**	**146,508**
Charge for the period	**2,944**	**14,941**	**36,903**	**54,788**
Write-offs	**-**	**-**	**(66,402)**	**(66,402)**
	41,689	**27,221**	**65,984**	**134,894**
As at 31 December 2020				
At 1 January 2020 (restated)	46,446	10,704	101,921	159,071
Charge for the period	190	9,761	77,582	87,533
Write-offs	(7,891)	(8,185)	(84,020)	(100,096)
	38,745	12,280	95,483	146,508

30. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Impairment charge to profit or loss related to loans and advances to customers is broken down as follows;

GROUP				In TZS' Million
As at 31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Impairment charges for credit losses	**2,944**	**14,941**	**36,903**	**54,788**
Amount recovered during the year	**-**	**-**	**(31,739)**	**(31,739)**
Charge to profit or loss	**2,944**	**14,941**	**5,164**	**23,049**

As at 31 December 2020	Stage 1	Stage 2	Stage 3	Total
Impairment charges for credit losses	190	9,761	77,582	87,533
Amount recovered during the year	-	-	(13,071)	(13,071)
Charge to profit or loss	190	9,761	64,511	74,462

Analysis of movement in the ECL;

BANK				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
At 1 January 2021	**38,731**	**12,279**	**95,127**	**146,137**
Charge for the period	**2,994**	**14,921**	**37,029**	**54,944**
Write-offs	**-**	**-**	**(66,358)**	**(66,358)**
	41,725	**27,200**	**65,798**	**134,723**
As at 31 December 2020				
At 1 January 2020 (restated)	46,258	10,701	101,676	158,635
Charge for the period	363	9,764	76,820	86,947
Write-offs	(7,890)	(8,186)	(83,369)	(99,445)
	38,731	12,279	95,127	146,137

Impairment charge to profit or loss related to loans and advances to customers is broken down as follows;

BANK				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Impairment charges for credit losses	**2,994**	**14,921**	**37,029**	**54,944**
Amount recovered during the year	**-**	**-**	**(31,717)**	**(31,717)**
Charge to profit or loss	**2,994**	**14,921**	**5,312**	**23,227**
As at 31 December 2020				
Impairment charges for credit losses	363	9,764	76,820	86,947
Amount recovered during the year	-	-	(12,800)	(12,800)
Charge to profit or loss	363	9,764	64,020	74,147

*During the year the Group performed a review of the IFRS 9 model considering changes in circumstances for all ECL parameters including forward looking information. The review resulted into improved assumptions calibrated into the model to align with the prevailing market conditions. The inputs that were updated includes micro economic variables which were incorporated into the bank historical data to arrive at the bank's expected credit loss. The reassessment resulted to a notable decrease of impairment charge to profit, or loss as compared to prior year across all segments.

31. CREDIT LOSS EXPENSE

GROUP					In TZS' Million
As at 31 December 2021		**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers	Note 30	**2,944**	**14,941**	**5,164**	**23,049**
Debt instruments*	Note 27	**41**	**-**	**-**	**41**
Placements with other banks	Note 25	**(203)**	**-**	**-**	**(203)**
Credit cards	Note 28	**(682)**	**-**	**-**	**(682)**
Off Balance sheet items	Note 32	**1,050**	**-**	**-**	**1,050**
		3,150	**14,941**	**5,164**	**23,255**
31 December 2020					
Loans and advances to customers	Note 30	190	9,761	64,511	74,462
Debt instruments*	Note 27	(3,725)	-	-	(3,725)
Placements with other banks	Note 25	906	-	-	906
Credit cards	Note 28	1,367	-	-	1,367
Off Balance sheet items	Note 32	55	-	-	55
		(1,207)	9,761	64,511	73,065

*Includes ECL charge for debt instruments measured at FVOCI and debt instrument at amortized cost

BANK					In TZS' Million
As at 31 December 2021		**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers	Note 30	**2,994**	**14,921**	**5,312**	**23,227**
Debt instruments*	Note 27	**41**	**-**	**-**	**41**
Placements with other banks	Note 25	**(203)**	**-**	**-**	**(203)**
Credit cards	Note 28	**(682)**	**-**	**-**	**(682)**
Off Balance sheet items	Note 32	**1,050**	**-**	**-**	**1,050**
		3,200	**14,921**	**5,312**	**23,433**
31 December 2020					
Loans and advances to customers	Note 30	363	9,764	64,020	74,147
Debt instruments*	Note 27	(3,725)	-	-	(3,725)
Placements with other banks	Note 25	906	-	-	906
Credit cards	Note 28	1,367	-	-	1,367
Off Balance sheet items	Note 32	55	-	-	55
		(1,034)	9,764	64,020	72,750

*Includes ECL charge for debt instruments measured at FVOCI and debt instrument at amortized cost

32. OFF BALANCE SHEET FINANCIAL ASSETS

An analysis of Off-balance sheet items based on internal rating are summarised as follows:

GROUP				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	2,430,644	-	-	2,430,644
Especially mentioned	-	4,613	-	4,613
Sub-standard	-	-	32	32
Doubtful	-	-	993	993
Loss	-	-	24,361	24,361
Gross Carrying amount	2,430,644	4,613	25,386	2,460,643
Less: Allowance for ECL	(936)	(28)	(253)	(1,218)
Net Off Balance sheet financial assets	2,429,708	4,585	25,133	2,459,425
31 December 2020				
Current	1,569,510	-	-	1,569,510
Especially mentioned	-	-	-	-
Sub-standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross Carrying amount	1,569,510	-	-	1,569,510
Less: Allowance for ECL	(169)	-	-	(169)
Net Off Balance sheet financial assets	1,563,226	-	-	1,563,226

BANK				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	2,430,382	-	-	2,430,382
Especially mentioned	-	4,613	-	4,613
Sub-standard	-	-	32	32
Doubtful	-	-	993	993
Loss	-	-	24,361	24,361
Gross Carrying amount	2,430,382	4,613	25,386	2,460,381
Less: Allowance for ECL	(936)	(28)	(254)	(1,218)
Net Off Balance sheet financial assets	2,429,708	4,585	25,132	2,459,425
31 December 2020				
Internal rating grade	1,569,510	-	-	1,569,510
Current	1,560,456	-	-	1,560,456
Especially mentioned	-	-	-	-
Sub-standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross Carrying amount	1,560,456	-	-	1,560,456
Less: Allowance for ECL	(168)	-	-	(168)
Net Off Balance sheet financial assets	1,560,288	-	-	1,560,288

32. OFF BALANCE SHEET FINANCIAL ASSETS (CONTINUED)

An analysis of movement of ECL in relation to financial guarantees is as follows::

GROUP				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Exposure amount as at 1 January 2021	**1,223,500**	**-**	**-**	**1,223,500**
New exposures	**703,492**	**-**	**-**	**703,492**
Exposures derecognised/ matured	**(268,317)**	**(95)**	**(836)**	**(269,248)**
Exposure amount as at 31 December 2021	**1,658,675**	**(95)**	**(836)**	**1,657,744**
Loss allowance as at 31 December 2021	**697**	**27**	**254**	**978**
31 December 2020				
Exposure amount as at 1 January 2020	1,218,686	-	-	1,218,686
New exposures	206,834	-	-	206,834
Exposures derecognised/ matured	(202,020)	-	-	(202,020)
Exposure amount as at 31 December 2020	1,223,500	-	-	1,223,500
Loss allowance as at 31 December 2020	155	-	-	155

The increase in ECL during the year resulted from an increase in exposure

An analysis of movement of ECL in relation to financial guarantees is as follows::

GROUP				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January 2021	**155**	**-**	**-**	**155**
New exposures	**875**	**-**	**-**	**875**
Exposures derecognised/ matured	**(52)**	**-**	**-**	**(52)**
Loss allowance as at 31 December 2021	**978**	**-**	**-**	**978**
31 December 2020				
Loss allowance as at 1 January 2020	58	-	-	58
New exposures	132	-	-	132
Exposures derecognised/ matured	(35)	-	-	(35)
Loss allowance as at 31 December 2020	155	-	-	155

An analysis of changes in the exposure amount in relation to financial guarantees is, as follows:

BANK				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Exposure amount as at 1 January 2021	**1,221,272**	**-**	**-**	**1,221,272**
New exposures	**703,351**	**-**	**-**	**703,351**
Exposures derecognised/ matured	**(266,089)**	**(95)**	**(836)**	**(267,020)**
Exposure amount as at 31 December 2021	**1,658,534**	**(95)**	**(836)**	**1,657,603**
Loss allowance as at 31 December 2021	**697**	**27**	**254**	**978**
31 December 2020				
Exposure amount as at 1 January 2020	1,218,357	-		1,218,357
New exposures	204,935	-	-	204,935
Exposures derecognised/ matured	(202,020)	-	-	(202,020)
Exposure amount as at 31 December 2020	1,221,272	-	-	1,221,272
Loss allowance as at 31 December 2020	154	-	-	154

The increase in ECL during the year resulted from an increase in exposure

32. OFF BALANCE SHEET FINANCIAL ASSETS (CONTINUED)

An analysis of movement of ECL in relation to financial guarantee is, as follows:

BANK				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January 2021	**154**	**-**	**-**	**154**
New exposures	**875**	**-**	**-**	**875**
Exposures derecognised/ matured	**(51)**	**-**	**-**	**(51)**
Loss allowance as at 31 December 2021	**978**	**-**	**-**	**978**
31 December 2020				
Loss allowance as at 1 January 2020	58	-	-	58
New exposures	131	-	-	131
Exposures derecognised/ matured	(35)	-	-	(35)
Loss allowance as at 31 December 2020	154	-	-	154

An analysis of changes in the exposure amount in relation to letters of credit is, as follows:

GROUP				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Exposure amount as at 1 January 2021	**136,830**	**-**	**-**	**136,830**
New exposures	**802,779**	**-**	**-**	**802,779**
Exposures derecognised/ matured	**(136,830)**	**-**	**-**	**(136,830)**
Exposure amount as at 31 December 2021	**802,779**	**-**	**-**	**802,779**
Loss allowance as at 31 December 2021	**(240)**	**-**	**-**	**(240)**
31 December 2020				
Exposure amount as at 1 January 2020	187,598	-	-	187,598
New exposures	123,579	-	-	123,579
Exposures derecognised/ matured	(174,347)	-	-	(174,347)
Exposure amount as at 31 December 2020	136,830	-	-	136,830
Loss allowance as at 31 December 2020	(14)	-	-	(14)

The increase in ECL during the year resulted from an increase in exposure

An analysis of movement of ECL in relation in relation to letters of credit is, as follows:

GROUP				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January 2021	**14**	**-**	**-**	**14**
New exposures	**240**	**-**	**-**	**240**
Exposures derecognised/ matured	**(14)**	**-**	**-**	**(14)**
Loss allowance as at 31 December 2021	**240**	**-**	**-**	**240**
31 December 2020				
Loss allowance as at 1 January 2020	56	-	-	56
New exposures	(13)	-	-	(13)
Exposures derecognised/ matured	(29)	-	-	(29)
Loss allowance as at 31 December 2020	14	-	-	14

32. OFF BALANCE SHEET FINANCIAL ASSETS (CONTINUED)

An analysis of changes in the exposure amount in relation to Letter of credit is, as follows:

BANK				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Exposure amount as at 1 January 2021	**135,532**	**-**	**-**	**135,532**
New exposures	**802,779**	**-**	**-**	**802,779**
Exposures derecognised/ matured	**(135,532)**	**-**	**-**	**(135,532)**
Exposure amount as at 31 December 2021	**802,779**	**-**	**-**	**802,779**
Loss allowance as at 31 December 2021	**(240)**	**-**	**-**	**(240)**
31 December 2020				
Exposure amount as at 1 January 2020	187,598	-	-	187,598
New exposures	122,281	-	-	122,281
Exposures derecognised/ matured	(174,347)	-	-	(174,347)
Exposure amount as at 31 December 2020	135,532	-	-	135,532
Loss allowance as at 31 December 2020	(14)	-	-	(14)

The increase in ECL during the year resulted from an increase in exposure.

BANK				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Exposure amount as at 1 January 2021	**14**	**-**	**-**	**14**
New exposures	**240**	**-**	**-**	**240**
Exposures derecognised/ matured	**(14)**	**-**	**-**	**(14)**
Loss allowance as at 31 December 2021	**(240)**	**-**	**-**	**(240)**
31 December 2020				
Loss allowance as at 1 January 2020	56	-	-	56
New exposures	(13)	-	-	(13)
Exposures derecognised/ matured	(29)	-	-	(29)
Loss allowance as at 31 December 2020	14	-	-	14

An analysis of changes in the exposure amount in relation to commitment to extend credit is, as follows:

BANK				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Exposure amount as at 1 January 2021	**209,180**	**-**	**-**	**209,180**
New exposures	**269,013**	**-**	**-**	**269,013**
Exposures derecognised/ matured	**(209,180)**	**-**	**-**	**(209,180)**
Exposure amount as at 31 December 2021	**269,013**	**-**	**-**	**269,013**
31 December 2020				
Exposure amount as at 1 January 2020	164,623	-	-	164,623
New exposures	209,180	-	-	209,180
Exposures derecognised/ matured	(164,623)	-	-	(164,623)
Exposure amount as at 31 December 2020	209,180	-	-	209,180

32. OFF BALANCE SHEET FINANCIAL ASSETS (CONTINUED)

BANK				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Exposure amount as at 1 January 2021	**203,652**	-	-	**203,652**
New exposures	**269,013**	-	-	**269,013**
Exposures derecognised/ matured	**(203,652)**	-	-	**(203,652)**
Exposure amount as at 31 December 2021	**269,013**	-	-	**269,013**
31 December 2020				
Exposure amount as at 1 January 2020	160,798	-	-	160,798
New exposures	203,652	-	-	203,652
Exposures derecognised/ matured	(160,798)	-	-	(160,798)
Exposure amount as at 31 December 2020	203,652	-	-	203,652

Based on Management assessment, the ECL on loan commitments is considered immaterial. Therefore, no ECL movement analysis has been provided.

An analysis of movement of ECL in relation to off balance sheet is, as follows:

GROUP		In TZS' Million
31 December 2021		**Total**
As at 1 January 2021	**168**	**168**
Charge/(release) for the period	**1,050**	**1,050**
Changes in model/assumptions**	**-**	**-**
Loss allowance as at 31 December 2021	**1,218**	**1,218**
31 December 2020		
As at 1 January 2020	113	113
Charge/(release) for the period	55	55
Changes in model/assumptions**	-	-
Loss allowance as at 31 December 2020	168	168

An analysis of movement of ECL in relation to off balance sheet is, as follows:

BANK		In TZS' Million
31 December 2021		**Total**
As at 1 January 2021	**168**	**168**
Charge/(release) for the period	**1,050**	**1,050**
Changes in model/assumptions**	**-**	**-**
Loss allowance as at 31 December 2021	**1,218**	**1,218**
31 December 2020		**Total**
As at 1 January 2020	113	113
Charge/(release) for the period	55	55
Changes in model/assumptions**	-	-
Loss allowance as at 31 December 2020	168	168

33. OTHER ASSETS

In TZS' Million	GROUP		BANK	
	2021	2020	2021	2020
*Other financial Assets**				
Due from a related party (Note 55)	-	-	5,277	1,502
Receivable from mobile phone companies	75,019	92,030	75,019	92,030
Other receivables**	29,754	28,488	29,906	28,518
Less: Impairment	(15,174)	(25,730)	(15,141)	(25,556)
	89,599	94,788	95,061	96,494
Other Non-financial assets				
Advance payment for capital expenditure	29,616	11,192	29,240	11,187
Prepaid expenses	87,294	98,366	84,288	94,943
Bank card stock	2,072	2,057	2,072	2,057
Stationery stock	2,351	2,194	2,351	2,194
	121,333	113,809	117,951	110,381
Total Financial assets	**210,932**	**208,597**	**213,012**	**206,875**

* Impairment of other financial assets is determined based on the expected credit loss model under IFRS 9.

**Within 'Other receivables', includes receivables of fees and commissions of TZS 1,514 million (2020: TZS 2,775 million) which represent the Bank's right to an amount of consideration that is unconditional, only the passage of time is required before payment of the consideration is due. These are measured at amortised cost and subject to the impairment provisions of IFRS 9.

The above disclosure has been updated to separate financial and non-financial assets. The prior year disclosure was also updated to conform with the current year presentation.

As at 31 December 2021, the impairment provisions which relates to these receivable is TZS 552 million (2020: TZS 611 million).

As at 31 December 2021 the Group had no contract assets (2020: Nil)

All other assets are current.

Maturity analysis

GROUP In TZS' Million	2021		2020	
	Within 3 months	3 -12 months	Within 3 months	3 -12 months
Receivable from mobile phone companies	75,019	-	92,030	-
Other receivables	29,754	-	28,488	-
Less: Provision for impairment	(15,174)	-	(25,730)	-
	89,599	-	94,788	-

33. OTHER ASSETS (CONTINUED)

BANK				In TZS' Million
	2021		2020	
	Within 3 months	3 -12 months	Within 3 months	3 -12 months
Due from a related party (Note 55)	**5,277**	**-**	-	-
Receivable from mobile phone companies	**75,019**	**-**	92,030	-
Other receivables	**29,906**	**-**	28,158	-
Less: Provision for impairment	**(15,141)**	**-**	(25,556)	-
	95,061	**-**	94,632	-

Movement in provision for impairment on other assets is as shown below:

				In TZS' Million
	GROUP		BANK	
	2021	2020	2021	2020
At 1 January	**25,730**	14,969	**25,556**	12,927
Increase during the year*	**2,380**	15,021	**2,521**	15,021
Write-offs	**(12,936)**	(4,620)	**(12,936)**	(2,392)
At 31 December	**15,174**	25,730	**15,141**	25,556

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 2021 is based on the payments that the bank has received in the year 2021 in respect to December 2020 receivables and forward-looking information.

The nature of other assets held by the Bank in the current period had no adverse material impact because of COVID-19 pandemic.

An analysis of other assets based on internal rating are summarised as follows:

GROUP				In TZS' Million
As at 31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Current	**88,492**	**-**	**-**	**88,492**
Especially mentioned	**-**	**4,938**	**-**	**4,938**
Sub-standard	**-**	**-**	**955**	**955**
Doubtful	**-**	**-**	**2,520**	**2,520**
Loss	**-**	**-**	**7,868**	**7,868**
Gross Carrying amount	**88,492**	**4,938**	**11,343**	**104,773**
Less: Allowance for ECL	**(3,495)**	**(336)**	**(11,343)**	**(15,174)**
Net Carrying amount	**84,997**	**4,602**	**-**	**89,599**
31 December 2020				
Current	94,772	-	-	94,772
Especially mentioned	-	6,841	-	6,841
Sub-standard	-	-	1,050	1,050
Doubtful	-	-	3,726	3,726
Loss	-	-	14,129	14,129
Gross Carrying amount	94,772	6,841	18,905	120,518
Less: Allowance for ECL	(7,353)	(218)	(18,158)	(25,729)
Net Carrying amount	87,419	6,623	747	94,789

33. OTHER ASSETS (CONTINUED)

An analysis of other assets based on internal rating are summarised as follows:

BANK As at 31 December 2021	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Internal rating grade				
Current	**93,921**	**-**	**-**	**93,921**
Especially mentioned	**-**	**4,938**	**-**	**4,938**
Sub-standard	**-**	**-**	**955**	**955**
Doubtful	**-**	**-**	**2,520**	**2,520**
Loss	**-**	**-**	**7,868**	**7,868**
Gross Carrying amount	**93,921**	**4,938**	**11,343**	**110,202**
Less: Allowance for ECL	**(3,462)**	**(336)**	**(11,343)**	**(15,141)**
Net Carrying amount	**90,459**	**4,602**	**-**	**95,061**
31 December 2020				
Current	96,305	-	-	96,305
Especially mentioned	-	6,841	-	6,841
Sub-standard	-	-	1,050	1,050
Doubtful	-	-	3,725	3,725
Loss	-	-	14,129	14,129
Gross Carrying amount	96,305	6,841	18,904	122,050
Less: Allowance for ECL	(7,179)	(218)	(18,158)	(25,555)
Net Carrying amount	89,126	6,623	746	96,495

An analysis of changes in the gross carrying amount in relation to other financial assets is as follows:

	GROUP		BANK	In TZS' Million
	2021	2020	**2021**	2020
At start of year	**120,518**	112,809	**122,050**	111,400
Movement during the year	**(2,809)**	12,329	**1,088**	13,042
Written off	**(12,936)**	(4,620)	**(12,936)**	(2,392)
At end of year	**104,773**	120,518	**110,202**	122,050
Allowance for ECL	**(15,174)**	(25,729)	**(15,141)**	(25,555)

34. INVESTMENT IN SUBSIDIARIES

	Incorporation	Held %	2021	2020
				In TZS' Million
CRDB Insurance broker*	Tanzania	100%	**100**	100
CRDB Bank Burundi S.A	Burundi	100%	**21,583**	21,583
			21,683	21,683

***During the year assets (computer equipment's and system) worth TZS 285mn were transferred from CIB to CRDB Bank Plc (the Parent). The transfer was made at carrying value. Based on management assessment the transfer does not meet the definition of business combination under IFRS 3. As at year end, CIB was dormant. Based on management assessment no impairment required on CIB's assets.

- ·The countries of incorporation are also their principal place of business.
- All subsidiaries are unlisted and have the same financial statement date (31 December) as the parent. The investment in the subsidiaries includes the cost of shares and other initial payments made for the subsidiaries.
- The subsidiaries listed above has share capital consisting solely of ordinary shares.
- During the year, there were no significant judgements and assumptions made in determining the Bank's interest in the subsidiary.
- ·There are no protective rights of the subsidiaries which can significantly restrict the parent from accessing or using the assets and settling the liabilities of the Group.
- ·There are no contingent liabilities relating to the Bank's interest in the subsidiaries during the year.
- During the year, the Group had no structured entity.

Restrictions

- During the year there were no significant restrictions (statutory, contractual or regulatory) of a parent or its subsidiaries to transfer cash or other assets to or from other entities within a Group.
- There were no guarantees or other requirements that could restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the group.
- There are no protective rights of non-controlling interests that can significantly restrict the entity's ability to access or use the assets and settle the liabilities of the Group.

35. NON-CURRENT ASSETS HELD FOR SALE

	GROUP		BANK	In TZS' Million
	2021	2020	2021	2020
Land and Equipment				
Carrying value as at 1 January	**16,600**	16,600	**-**	16,600
Additions	**-**	-	**-**	-
Carrying value as at 31 December	**16,600**	16,600	**-**	16,600

The carrying value is based on the price offered by a counterparty net of selling cost for which the transaction has significantly progressed. Sale of the property is expected to be completed before the end of December 2022. There is no impairment or reversal recorded against the non-current assets held for sale. There were no additions during the year.

Fair value was determined based on the offered price by the counterparty net of selling cost. This has been classified as level II in the fair value hierarchy. The key input used is the offered price and management does not expect the final selling price to differ significant from the offered price.

36A. PROPERTY AND EQUIPMENT

GROUP								In TZS' Million
31 December 2021	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smartcard equipment	Security equipment	Work in Progress*	Total
Cost								
At 1 January	81,953	100,802	95,905	71,334	67,796	8,105	154,281	580,176
Additions	3,853	6,898	15,060	16,122	13,234	3,815	4,908	63,890
Reclassification	126,288	1,864	11,043	12,079	41	2,733	(154,048)	-
Disposals	-	(3,919)	(3,394)	(2,179)	(6,144)	(1,745)	-	(17,381)
Exchange rate difference**	-	(542)	(170)	(30)	(13)	(1)	(17)	(773)
At 31 December	212,094	105,103	118,444	97,326	74,914	12,907	5,124	625,912
Depreciation								
At 1 January	(26,011)	(59,293)	(68,832)	(48,872)	(34,976)	(6,545)	-	(244,529)
Charge for the year	(2,174)	(7,734)	(12,892)	(9,137)	(7,659)	(1,279)	-	(40,862)
Reclassification	(10)	10	-	-	-	-	-	-
Disposal	-	3,608	3,372	2,166	6,144	1,745	-	17,035
At 31 December	(28,195)	(63,409)	(78,352)	(55,843)	(36,478)	(6,079)	-	(268,356)
Net book value	183,900	41,694	40,092	41,483	38,436	6,828	5,124	357,556

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36A PROPERTY AND EQUIPMENT (CONTINUED)

GROUP 31 December 2020	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smartcard equipment	Security equipment	Work in Progress*	Total (In TZS' Million)
Cost								
At 1 January	78,414	95,210	86,603	54,448	57,380	7,194	113,849	493,098
Additions	3,539	6,150	9,227	16,926	10,461	891	41,378	88,572
Reclassification	-	224	611	151	(60)	20	(946)	-
Disposals	-	(699)	(507)	(225)	(47)	-	-	(1,478)
Exchange rate difference**	-	(83)	(29)	34	62	-	-	(16)
At 31 December	81,953	100,802	95,905	71,334	67,796	8,105	154,281	580,176
Depreciation								
At 1 January	(24,297)	(52,485)	(59,272)	(42,846)	(28,751)	(5,494)	-	(213,145)
Charge for the year	(1,725)	(7,413)	(10,015)	(6,247)	(6,297)	(1,038)	-	(32,735)
Reclassification	11	(19)	(17)	(2)	40	(13)	-	-
Disposal	-	624	472	223	32	-	-	1,351
At 31 December	(26,011)	(59,293)	(68,832)	(48,872)	(34,976)	(6,545)	-	(244,529)
Net book value	55,942	41,509	27,073	22,462	32,820	1,560	154,281	335,647

36A PROPERTY AND EQUIPMENT (CONTINUED)

BANK								In TZS' Million
31 December 2021	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smart card equipment	Security equipment	Work in Progress*	Total
Cost								
At 1 January	73,000	95,392	91,689	70,509	67,252	8,103	154,085	560,030
Additions	3,854	6,678	14,964	16,022	13,230	3,814	4,546	63,108
Reclassification	126,288	1,321	11,596	12,049	39	2,735	(154,028)	-
Disposals	-	(3,759)	(3,393)	(2,114)	(6,144)	(1,745)	-	(17,155)
At 31 December	203,142	99,632	114,856	96,466	74,377	12,907	4,603	605,983
Depreciation								
At 1 January	(17,034)	(64,036)	(66,107)	(48,306)	(34,796)	(6,545)	-	(236,824)
Charge for the year	(2,198)	(7,116)	(12,722)	(9,041)	(7,585)	(1,279)	-	(39,941)
Reclassification	(10)	10	-	-	-	-	-	
Disposals	-	3,427	3,392	2,114	6,144	1,745	-	16,822
At 31 December	(19,242)	(67,715)	(75,437)	(55,233)	(36,237)	(6,079)	-	(259,943)
Net book value	183,900	31,917	39,419	41,233	38,140	6,828	4,603	346,040

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36A. PROPERTY AND EQUIPMENT (CONTINUED)

BANK								In TZS'Million
31 December 2020	**Land & buildings**	**Leasehold improvement**	**Office equipment**	**Computer equipment**	**Smart card equipment**	**Security equipment**	**Work in Progress***	**Total**
Cost								
At 1 January	69,437	91,301	83,605	53,804	57,240	7,193	113,046	475,626
Additions	3,563	4,566	7,980	16,779	10,119	891	41,985	85,883
Reclassification	-	224	611	151	(60)	20	(946)	-
Disposals	-	(699)	(507)	(225)	(47)	-	-	(1,478)
At 31 December	73,000	95,392	91,689	70,509	67,252	8,104	154,085	560,031
Depreciation								
At 1 January	(15,320)	(57,660)	(56,683)	(42,336)	(28,590)	(5,494)	-	(206,083)
Charge for the year	(1,725)	(6,981)	(9,879)	(6,191)	(6,278)	(1,038)	-	(32,092)
Reclassification	11	(19)	(17)	(2)	40	(13)	-	-
Disposals	-	624	472	223	32	-	-	1,351
At 31 December	(17,034)	(64,036)	(66,107)	(48,306)	(34,796)	(6,545)	-	(236,824)
Net book value	55,966	31,356	25,582	22,203	32,456	1,559	154,085	323,207

* Work in progress relates to the Bank's buildings under construction and other PPE.

** Net exchange differences arising on the translation of financial statement of CRDB Burundi (BIF) into the presentation currency (TZS).

- Management has assessed the impairment of property, land and equipment, there were no impairment recognized or reversed during the year despite the outbreak of COVID-19 pandemic.
- During the year there were no PPE retired from the active use that were not classified as held for sale.
- The fair value of PPE is not materially different from the carrying amount.
- Included in PPE are assets of gross value of TZS 62,099 million which were fully depreciated but still in use. The notional depreciation charge on these assets would have been TZS 12,420 million

36B. MOTOR VEHICLES AND MOBILE BRANCHES

In TZS' Million	GROUP		BANK	
	2021	2020	2021	2020
Cost				
At 1 January	**21,308**	16,328	**20,071**	13,570
Additions	**6,339**	6,337	**6,049**	5,937
Disposals	**(782)**	(898)	**(580)**	(483)
Revaluation adjustment	**-**	1,047	**-**	1,047
MFSCL winding up	**-**	(1,506)	**-**	-
At 31 December	**26,865**	21,308	**25,540**	20,071
Depreciation				
At 1 January	**(3,244)**	(1,893)	**(2,823)**	(316)
Charge for the year	**(3,314)**	(2,879)	**(3,170)**	(2,720)
Disposals	**378**	621	**268**	213
MFSCL winding up	**-**	907	**-**	-
At 31 December	**(6,180)**	(3,244)	**(5,725)**	(2,823)
Net book value	**20,685**	18,064	**19,815**	17,248

The Group's Mobile branches and Motor vehicles were revalued in August 2020 and December 2020 and January 2021 by independent valuers Coswil Consult Ltd and M & R Agency Limited respectively, however the total revaluation gain was accounted for in the year 2020. 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 secondhand markets were visited, and comparable sales taken note. The valuation done was because the NPV of the valued assets below market value and the assets are in use and based on assessment done the assets are expecting to have long life.

Replacement method, is based on the rationale that value of vehicle involves the estimation of the cost as if it were new, using the comparison method or the available data. The amount of depreciation and obsolescence is then estimated and deducted from the cost of new vehicle to arrive at the depreciated replacement cost. The resultant figure is now the depreciated replacement cost, which in our case is equated to the market value/fair Value.

The valuation techniques used are the same as those use in previous years. There is no material difference between the fair value of PPE and the carrying amount as per cost model.

If motor vehicles and mobile branches were stated on the historical basis, the amount would be as follows;

In TZS' Million	GROUP		BANK	
	2021	2020	2021	2020
Cost	**47,446**	39,171	**44,634**	41,877
Accumulated depreciation	**(41,281)**	(32,143)	**(38,369)**	(34,764)
Net book value	**6,165**	7,028	**6,265**	7,113

36. MOTOR VEHICLES AND MOBILE BRANCHES (CONTINUED)

Non-financial assets measured at fair value

In TZS' Million	GROUP		BANK	
	2021	2020	2021	2020
Fair value hierarchy – Level 3				
At 1 January	**18,064**	14,435	**17,248**	13,254
MFSCL winding up	-	(599)	-	-
Exchange rate difference	**(10)**	(7)	-	-
Purchases	**6,339**	6,337	**6,049**	5,937
Disposals	**(394)**	(270)	**(312)**	(270)
Revaluation gain/(loss)	-	1,047	-	1,047
Depreciation charge	**(3,314)**	(2,879)	**(3,170)**	(2,720)
Net book value	**20,685**	18,064	**19,815**	17,248

- As at 31 December 2021, the Group had neither restriction on title nor property and equipment pledged as security for liabilities (2020: Nil).
- There were no capitalized borrowing costs related to the acquisition of property. plant and equipment during the year ended 31 December 2021 (2020: Nil).
- There were no idle assets as at 31 December 2021 (2020: Nil).
- As at 31 December 2021, contractual commitment for the acquisition of property, plant and equipment amount of TZS 12,317 million (2020: TZS 10,056 million) Note 54.
- There were no property, plant and equipment acquired during the year through business combinations.
- During the year there was no revaluation for Motor vehicles and mobile branches.
- There were no other changes under property, plant and equipment during the year.
- As at 31 December 2021, management has assessed impairment of motor vehicles and mobile branches, there were no impairment recognised or reversed during the year despite the outbreak of COVID-19 pandemic.

37. RIGHT-OF-USE OF ASSETS

In TZS' Million	GROUP		BANK	
	2021	2020	2021	2020
Cost				
At 1 January	**53,815**	52,351	**52,730**	51,301
Additions	**20,709**	1,464	**20,803**	1,429
Derecognition	**(4,935)**	-	**(4,935)**	-
At 31 December	**69,589**	53,815	**68,598**	52,730
Depreciation				
At 1 January	**(26,137)**	(13,176)	**(25,738)**	(12,972)
Charge for the year	**(13,041)**	(12,961)	**(12,856)**	(12,766)
Derecognition	**4,935**	-	**4,935**	-
Exchange rate difference	**9**	-	-	-
At 31 December	**(34,234)**	(26,137)	**(33,659)**	(25,738)
Net book value	**35,355**	27,678	**34,939**	26,992

The Right-of-use of assets relates to leases of office spaces at carrying amount.

38. PREPAID OPERATING LEASES

In TZS' Million	GROUP		BANK	
	2021	2020	2021	2020
Cost prepaid				
At 1 January	**11,992**	11,952	**11,992**	11,952
Additions		-		-
Reclassification from computer equipment	-	40	-	40
At 31 December	**11,992**	11,992	**11,992**	11,992
Amortization				
At 1 January	**(1,964)**	(1,646)	**(1,964)**	(1,646)
Charge for the year	**(298)**	(318)	**(298)**	(318)
At 31 December	**(2,262)**	(1,964)	**(2,262)**	(1,964)
Net book value	**9,730**	10,028	**9,730**	10,028

Prepaid operating leases relates to advance payments made for the right of occupancy of various portions of leasehold land where the Bank has its business premises.

39. INTANGIBLES ASSETS

In TZS' Million	GROUP		BANK	
	2021	2020	2021	2020
Cost				
At 1 January	**84,084**	86,269	**79,859**	82,374
Additions	**4,449**	3,980	**3,863**	3,640
Disposals / Retirement	**(9,867)**	(6,155)	**(9,551)**	(6,155)
Exchange rate difference**	**108**	(10)	**-**	-
At 31 December	**78,774**	84,084	**74,171**	79,859
Amortization				
At 1 January	**(54,058)**	(50,209)	**(50,666)**	(47,116)
Charge for the year	**(9,005)**	(9,826)	**(8,795)**	(9,527)
Reclassification adjustment	**(88)**	-	**(88)**	-
Disposals/ Retirement	**9,551**	5,977	**9,551**	5,977
At 31 December	**(53,600)**	(54,058)	**(49,998)**	(50,666)
Net book value At 31 December	**25,174**	30,026	**24,173**	29,193

All intangible assets are in use.

Intangible assets relate to computer software used by the Group. Fully amortized intangible assets with gross value TZS 17,773 million (2020: TZS 23,582 million) are still in use. The notional amortization charge would have been TZS 3,554 million (2020: TZS 7,013 million). Some fully depreciated software's are; PSQL, SAP system, OPICS system, TI Plus, Custody and investment system, Video conference system, and ATM monitoring system.

39. INTANGIBLES ASSETS (CONTINUED)

- As at 31 December 2021, included in intangible assets is the Core Banking system which is material with carrying amount of TZS 8,650 million (2020:TZS10,647 million) with remaining amortization period of four (4) years.
- No intangible asset was pledged as security for liabilities as at 31 December 2021.
- There also no restrictions other than those outlined in the software license.
- As at 31 December 2021, there were no significant intangible assets controlled by the Group which have not been recognized as assets.
- There was no internally developed software during the year or 2020.
- There were no intangible assets acquired during the year through business combinations.
- No revaluation of intangible assets was done during the year.
- Management has assessed impairment of intangible assets, there were no impaired intangible assets despite the outbreak of COVID-19 pandemic, hence no impairment loss was recognized in the profit or loss during the year.
- During the year there were no intangible assets assessed as having indefinite useful life.
- There were no intangible assets acquired by way of a government grants during the year.
- As at 31 December 2021, there were no contractual commitments for the acquisition of intangible assets.
- As at 31 December 2021, there were no significant intangible assets controlled by the Group which have not been recognized as assets.

**Net exchange differences arising on the translation of financial statement of a subsidiary – CRDB Burundi (BIF) into the presentation currency (TZS).

40. DEFERRED INCOME TAX

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

				In TZS' Million
	GROUP		BANK	
	2021	2020	2021	2020
At 1 January	**48,639**	81,950	**48,647**	81,957
(Debit)/ Credit to profit or loss				
In respect to current year (Note 21a)	**(10,658)**	(21,069)	**(10,658)**	(21,069)
Under provision in prior year (Note 21a)	**1,058**	(726)	**1,058**	(726)
(Debit)/ Credit to OCI				
Charge to other comprehensive income	**778**	(11,515)	**778**	(11,515)
Charge to other comprehensive income -prior year under provision	**1,313**	-	**1,313**	-
At 31 December	**41,130**	48,639	**41,138**	48,647

Deferred income tax asset/(liability) is attributed to the following items:

				In TZS' Million
	GROUP		BANK	
	2021	2020	2021	2020
Accelerated capital allowance	**(16,126)**	(11,906)	**(16,109)**	(11,892)
Provisions	**22,149**	26,034	**22,140**	26,028
ECL	**31,494**	35,139	**31,494**	35,139
Deferred income	**11,463**	9,757	**11,463**	9,757
IFRS 16	**515**	70	**515**	70
Unrealised (gain)/ loss on debt instrument at fair value through OCI	**(17,251)**	(20,166)	**(17,251)**	(20,166)
Unrealised (gain)/loss on equity instrument at fair value through OCI	**(46)**	779	**(46)**	779
ECL day 1 adjustment - IAS 39 to IFSR9 transition	**8,932**	8,932	**8,932**	8,932
	41,130	48,639	**41,138**	48,647
Expected to be recovered within 12months	**3,623**	4,282	**3,622**	4,283
Expected to be recovered after 12months	**37,507**	44,357	**37,516**	44,364
	41,130	48,639	**41,138**	48,647

41. DEPOSITS FROM CUSTOMERS

In TZS' Million	GROUP		BANK	
	2021	2020	2021	2020
Current and demand accounts	**3,045,460**	2,367,639	**2,810,441**	2,249,458
Savings accounts	**2,394,585**	2,043,576	**2,349,779**	2,011,762
Term/call deposits	**1,049,569**	1,023,432	**993,700**	972,925
	6,489,614	5,434,647	**6,153,920**	5,234,145
Current deposits	**6,306,263**	5,392,172	**5,970,569**	5,191,670
Non-current deposits	**183,351**	42,475	**183,351**	42,475
	6,489,614	5,434,647	**6,153,920**	5,234,145

Savings accounts, term/call deposits and some current and demand deposits are interest bearing accounts. These interest-bearing customer deposit accounts carry variable interest rates.

Maturity analysis

GROUP 31 December 2021	On demand	Within 3 months	3 -12 months	Over 1 year	In TZS' Million Total
Current and demand accounts	**3,045,460**	-	-	-	**3,045,460**
Savings account	**2,394,585**	-	-	-	**2,394,585**
Term/call deposits	**164,638**	**441,602**	**259,978**	**183,351**	**1,049,569**
	5,604,683	**441,602**	**259,978**	**183,351**	**6,489,614**
31 December 2020					
Current and demand accounts	2,367,639	-	-	-	2,367,639
Savings account	2,043,576	-	-	-	2,043,576
Term/call deposits	301,055	323,162	356,740	42,475	1,023,432
	4,712,270	323,162	356,740	42,475	5,434,647

BANK 31 December 2021	On demand	Within 3 months	3 -12 months	Over 1 year	Amounts in TZS' Million Total
Current and demand accounts	**2,810,441**	-	-	-	**2,810,441**
Savings account	**2,349,779**	-	-	-	**2,349,779**
Term/call deposits	**164,638**	**401,298**	**244,413**	**183,351**	**993,700**
	5,324,858	**401,298**	**244,413**	**183,351**	**6,153,920**
31 December 2020					
Current and demand accounts	2,249,458	-	-	-	2,249,458
Savings account	2,011,762	-	-	-	2,011,762
Term/call deposits	270,548	303,162	356,740	42,475	972,925
	4,531,768	303,162	356,740	42,475	5,234,145

42. DEPOSITS AND BALANCES DUE TO OTHER BANKS

	GROUP		BANK	
In TZS' Million	2021	2020	2021	2020
Deposits from banks	**715,202**	296,212	**682,948**	295,984

All deposits from banks are current.

43A. OTHER LIABILITIES

	GROUP		BANK	
In TZS' Million	2021	2020	2021	2020
Bills payable	**1,766**	1,382	**725**	498
Dividend payable	**9,206**	9,292	**9,206**	9,292
Accrued expenses	**45,077**	40,469	**43,881**	38,898
Due to related parties (Note 54)	**-**	-	**-**	358
Deferred income*	**39,245**	33,279	**38,210**	32,524
Outstanding credits	**2,911**	4,517	**2,909**	4,490
Unclaimed customer balances	**20,083**	18,583	**20,016**	18,224
ECL Off-balance sheet items	**1,218**	168	**1,218**	168
Other payables	**30,962**	10,530	**31,449**	12,061
	150,468	118,220	**147,614**	116,513

- Bills payable represents Banker's 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.

Contract liabilities (deffered income) *

	GROUP		BANK	
In TZS' Million	2021	2020	2021	2020
At 1 January	**33,279**	21,740	**32,524**	21,428
Additional	**17,162**	22,651	**16,799**	22,208
Revenue recognised	**(11,196)**	(11,112)	**(11,113)**	(11,112)
At 31 December	**39,245**	33,279	**38,210**	32,524

Contract liabilities are unearned fees and commissions which relates to various services offered by the Bank.

Revenue recognized during the year that was included in the opening balance is TZS 1,430 million (2020: TZS 2,259 million) for the Group, and TZS 1,430 million (2020: TZS 1,430 million) for the Bank.

*This disclosure has been provided to comply with IFRS 15 for both current and prior year.

43B. LEASE LIABILITIES

The Group leases various branch premises and offices under non-cancellable lease agreements. The lease terms are between 1 and 7 years, and most 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 no restrictions have been imposed by these lease arrangements.

The carrying amounts of lease liabilities and the movement during the year is shown below:

				In TZS' Million
	GROUP		BANK	
	2021	**2020**	**2021**	**2020**
As at 1 January	**29,618**	39,778	**28,688**	38,903
Additions	**20,803**	1,971	**20,801**	1,949
Interest expense	**2,331**	2,509	**2,278**	2,461
Interest paid	**(2,331)**	(2,509)	**(2,278)**	(2,461)
Principal paid	**(12,745)**	(12,131)	**(12,369)**	(12,164)
At 31 December	**37,676**	29,618	**37,120**	28,688

The Group had total cash outflows for leases of TZS 15,076 million (2020: TZS 14,640)

44. PROVISIONS OF LEGAL CLAIMS

				In TZS' Million
	GROUP		BANK	
	2021	**2020**	**2021**	**2020**
Provision for litigation				
At 1 January	**4,218**	4,671	**4,218**	4,671
Additional provisions	**753**	649	**753**	649
Amount paid in the year	**(2,292)**	(1,102)	**(2,292)**	(1,102)
At 31 December	**2,679**	4,218	**2,679**	4,218

A Group recognised provision when it has a present obligation because of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation. Further, a reliable estimate of the amount of the obligation is required to be made.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosers in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank considers several factors including legal advice, the stage of the matter and historical evidence from similar incidents.

Various assumptions are therefore required to determine if a provision is required to be recognised, and further, the carrying amount thereof. With regards to the assessment of matters of a significant nature, including potential litigation and claims, management relies on the advice of the Group's legal counsel.

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 2,679 million (2020:TZS 4,218million). For cases whose outcomes are uncertain, contingent liabilities have been considered as disclosed in Note 53. According to the nature of such disputes the outcome and timing of settlement of these cases is uncertain.

The opinion of those charged with governance after taking proper legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as at 31 December 2021.

In the year ending 31 December 2021, the company did not expect any reimbursement from the amount provided (2020: NIL).

45. GRANTS

	In TZS' Million			
	GROUP		BANK	
	2021	2020	2021	2020
At 1 January	**6,132**	7,986	**6,132**	7,922
Grant amount utilised	**(1,402)**	(1,854)	**(1,402)**	(1,790)
Write-off against grant receivable	**-**	-	**-**	-
At 31 December	**4,730**	6,132	**4,730**	6,132

45.1. FSDT GRANTS

	In TZS' Million			
	GROUP		BANK	
	2021	2020	2021	2020
At 1 January	**3,659**	4,864	**3,659**	4,864
Grant amount utilised	**(833)**	(1,205)	**(833)**	(1,205)
At 31 December	**2,826**	3,659	**2,826**	3,659

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.

45.2. MIVARF ASSET GRANT

	In TZS' Million			
	GROUP		BANK	
	2021	2020	2021	2020
At 1 January	**2,473**	3,058	**2,473**	3,058
Grant amount utilised	**(569)**	(585)	**(569)**	(585)
At 31 December	**1,904**	2,473	**1,904**	2,473

On 2 January 2013, the Group signed a six-year funding agreement with Marketing Infrastructure, Value Addition and Rural Finance Support Programme (MIVARF) amounting to USD 4,000,008 as a grant for improving/ strengthening and developing access to financial services on a sustainable basis to rural micro and small-scale entrepreneurship activities that will lead to increased productivities in rural areas. The grant was utilized to construct service centres and purchase mobile branches.

This grant expired in 2019. The outstanding amount relates to deferred grant which is being amortized in line with corresponding depreciation for the respective PPE.

There are no conditions attached to the grant during the year.

46. BORROWINGS

				In TZS' Million
	GROUP		BANK	
	2021	2020	2021	2020
At 1 January	**238,054**	297,092	**238,054**	297,092
Additional	**20,970**	-	**20,970**	
Interest charge	**12,563**	10,729	**12,563**	10,729
Interest paid	**(14,201)**	(11,842)	**(14,201)**	(11,842)
Repayment	**(59,450)**	(59,652)	**(59,450)**	(59,652)
Exchange rate diff	**(74)**	1,727	**(74)**	1,727
At 31 December	**197,862**	238,054	**197,862**	238,054
Current	**58,251**	27,085	**58,251**	27,085
Non-current	**139,611**	210,969	**139,611**	210,969
	197,862	238,054	**197,862**	238,054

The Group and Bank has not had any defaults of principal, interest, or other breaches regarding borrowings during 2021 or 2020.

46.1. AFDB BORROWING

				In TZS' Million
	GROUP		BANK	
	2021	2020	2021	2020
At 1 January	**142,410**	176,148	**142,410**	176,148
Loan repaid during the year	**(34,579)**	(34,783)	**(34,579)**	(34,783)
Interest charge for the year	**5,512**	4,204	**5,512**	4,204
Interest paid in the year	**(6,666)**	(4,886)	**(6,666)**	(4,886)
Foreign exchange difference	**(74)**	1,727	**(74)**	1,727
At 31 December	**106,603**	142,410	**106,603**	142,410

In April 2020 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 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 2021, the Group and Bank were compliant with all the lender's covenants.

46.2 EIB BORROWING

	GROUP 2021	GROUP 2020	BANK 2021	BANK 2020
				In TZS' Million
At 1 January	**65,590**	90,722	**65,590**	90,722
Interest charge for the year	**4,342**	4,027	**4,342**	4,027
Interest paid in the year	**(4,879)**	(4,488)	**(4,879)**	(4,488)
Principal repayment during the year	**(23,671)**	(23,671)	**(23,671)**	(23,671)
At 31 December	**42,382**	66,590	**42,382**	66,590

The Bank entered into a facility agreement with European Investment Bank (EIB) for a credit line of Euro 55 million converted to TZS from initial recognition in 2015. The disbursement happened into two tranches Euro 40.2 million (TZS 97.5 billion) and Euro14.8 million (TZS 38 billion) received on August 2016 and December 2018 respectively. These funds were earmarked for Mid-caps and SMEs in the country.

The facility is for the period of up to 8 years with the one-year grace period. There is no collateral pledged to secure these loans. In addition to the 2015 signed facility, the Bank had another facility of EUR 20 million (equivalent to TZS 42.22 billion) signed in 2014 to support Microfinance business.

As at 31 December 2021, the Group and Bank were compliant with all the lender's covenants.

46.3. TMRC BORROWING

	GROUP 2021	GROUP 2020	BANK 2021	BANK 2020
				In TZS' Million
At 1 January	**27,085**	27,085	**27,085**	27,085
Interest charge for the year	**2,205**	2,284	**2,205**	2,284
Interest paid in the year	**(2,205)**	(2,284)	**(2,205)**	(2,284)
At 31 December	**27,085**	27,085	**27,085**	27,085

As at 31 December 2021, the Group and Bank were compliant with all the lender's covenants.

46.4 TIB BORROWING

	GROUP 2021	GROUP 2020	BANK 2021	BANK 2020
				In TZS' Million
At 1 January	**1,969**	3,137	**1,969**	3,137
Interest charge for the year	**85**	212	**85**	212
Interest paid in the year	**(32)**	(183)	**(32)**	(183)
Principal repayment during the year	**(1,200)**	(1,197)	**(1,200)**	(1,197)
At 31 December	**822**	1,969	**822**	1,969

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 2021, the Group and Bank were compliant with all the lender's covenants.

46. 5 NBC BORROWING

In TZS' Million

	GROUP		BANK	
	2021	**2020**	**2021**	**2020**
At 1 January	**-**	-	**-**	-
Amount received	**20,970**	-	**20,970**	-
Interest charge for the year	**419**	-	**419**	-
Interest paid in the year	**(419)**	-	**(419)**	-
At 31 December	**20,970**	-	**20,970**	-

As at 31 December 2021, the Group and Bank were compliant with all the lender's covenants.

47. SUBORDINATED DEBT

In TZS' Million

	GROUP		BANK	
	2021	**2020**	**2021**	**2020**
At 1 January	**32,407**	32,400	**32,407**	32,400
Interest charge for the year	**1,591**	2,407	**1,591**	2,407
Interest paid in the year	**(3,998)**	(2,400)	**(3,998)**	(2,400)
Principal repayment	**(30,000)**	-	**(30,000)**	-
At 31 December	**-**	32,407	**-**	32,407
Current	**-**	2,407	**-**	2,407
Non-current	**-**	30,000	**-**	30,000
	-	32,407	**-**	32,407

The Bank received subordinated loan from DANIDA Investment Fund (DIF). The subordinated loan was received in two tranches: in August 2013 (TZS 10,000 million) and in August 2014 (TZS 20,000 million). The facilities had grace period of 8 and 7 years respectively with annual interest payments. In September 2021, the Bank paid the whole amount (the principal and accrued interest amount) after maturity.

48. NET DEBT RECONCILIATION

The analysis and movement of the net debt is, as follows:

In TZS' Million

	GROUP		BANK	
	2021	**2020**	**2021**	**2020**
Lease Liability	**37,676**	29,618	**37,120**	28,688
Borrowings	**197,862**	238,054	**197,862**	238,054
Subordinated Debts	**-**	32,407	**-**	32,407
Net debt	**235,538**	300,079	**234,982**	299,149

48. NET DEBT RECONCILIATION (CONTINUED)

Reconciliation of movements of liabilities to cash flows arising from financing activities

Group	Lease Liability	Borrowings	Subordinated Debts	In TZS' Million Total
Balance as at 1st January 2021	29,618	238,054	32,407	300,079
Changes from financing cashflows				
Borrowings received	-	20,970	-	20,970
Repayment of borrowings	-	(59,450)	-	(59,450)
Repayment of subordinated debt	-	-	(30,000)	(30,000)
Principal payment on lease liabilities	(12,745)	-	-	(12,745)
Total changes from financing cash flows	(12,745)	(38,480)	(30,000)	(81,226)
The effect of changes in foreign exchange rates		(74)		(74)
Other changes				
Liability-related				
Interest Charge	2,331	12,563	1,591	16,485
Interest paid	(2,331)	(14,201)	(3,998)	(20,530)
Total liability-related other changes	20,803	-	-	20,803
Balance at 31 December 2021	37,676	197,862	-	235,538

Group	Lease Liability	Borrowings	Subordinated Debts	In TZS' Million Total
Balance as at 1st January 2020	39,778	297,092	32,400	369,270
Changes from financing cashflows				
Borrowings received	-	-	-	-
Repayment of borrowings	-	(59,652)	-	(59,652)
Repayment of subordinated debt	-	-	-	
Principal payment on lease liabilities	(12,131)	-	-	(12,131)
Total changes from financing cash flows	(12,131)	(59,652)	-	(71,783)
The effect of changes in foreign exchange rates	-	1,727	-	1,727
Other changes	-	-	-	-
Liability-related	-	-		-
Interest charge	2,509	10,729	2,407	15,645
Interest paid	(2,509)	(11,842)	(2,400)	(16,751)
Total liability-related other changes	1,971	-	-	(1,971)
Balance at 31 December 2020	29,618	238,054	32,407	300,079

48. NET DEBT RECONCILIATION (CONTINUED)

BANK	Lease Liability	Borrowings	Subordinated Debts	In TZS' Million Total
Balance as at 1st January 2021	**28,688**	**238,054**	**32,407**	**299,149**
Changes from financing cashflows				
Borrowings received	-	**20,970**	-	**20,970**
Repayment of borrowings	-	**(59,450)**	-	**(59,450)**
Repayment of subordinated debt	-	-	**(30,000)**	**(30,000)**
Principal payment on lease liabilities	**(12,369)**	-	-	**(12,369)**
Total changes from financing cash flows	**(12,369)**	**(38,480)**	**(30,000)**	**(80,849)**
The effect of changes in foreign exchange rates		**(74)**	-	**(74)**
Other changes	-	-	-	-
Liability-related	-	-	-	-
Interest charge	**2,278**	**12,563**	**1,591**	**16,432**
Interest paid	**(2,278)**	**(14,201)**	**(3,998)**	**(20,477)**
Total liability-related other changes	**20,801**	-	-	**(20,801)**
Balance at 31 December 2021	**37,120**	**197,862**	-	**234,982**

BANK	Lease Liability	Borrowings	Subordinated Debts	Total
Balance as at 1st January 2020	38,903	297,092	32,400	368,395
Changes from financing cashflows				
Borrowings received	-	-	-	-
Repayment of borrowings	-	(59,652)	-	(59,652)
Repayment of subordinated debt	-	-	-	-
Principal payment on lease liabilities	(12,164)	-	- -	(12,164)
Total changes from financing cash flows	(12,164)	(59,652)	-	(71,816)
The effect of changes in foreign exchange rates-		1,727	-	1,727
Other changes				
Liability-related	-	-	-	-
Interest charge	2,461	10,729	2,407	15,597
Interest paid	(2,461)	(11,842)	(2,400)	(16,703)
Total liability-related other changes	1,949	-	-	1,949
Balance at 31 December 2020	28,688	238,054	32,407	299,149

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

49. SHARE CAPITAL

				In TZS' Million
	GROUP		BANK	
	2021	**2020**	**2021**	**2020**
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 (2020: 2,611,838,584) ordinary shares of TZS 25 each				
Number of shares				
At 1 January	**2,612**	2,612	**2,612**	2,612
Issued shares	**-**	-	**-**	-
At 31 December	**2,612**	2,612	**2,612**	2,612
Value of shares In TZS' Million				
At 1 January	**65,296**	65,296	**65,296**	65,296
Issued shares	**-**	-	**-**	-
At 31 December	**65,296**	65,296	**65,296**	65,296

50. RESERVES

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.

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 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 2021, the Bank of Tanzania issued a circular removing the requirement to maintain the reserve.

The Group's general banking reserves represents the excess of Bank of the Republic of Burundi (BRB) provisions over IFRS provisions. These reserves do form part of Tier 2 capital. This is a non-distributable reserve.

Translation reserve

Translation reserve represents exchange differences arising from translation of the financial performance and position of a subsidiary company that has a functional currency different from the Group's presentation currency. This is a non-distributable reserve.

Legal provision reserve

This represents five percent of net profit which is set aside in compliance with the Burundi company law for CRDB Bank Burundi SA.

Revaluation Reserve

Revaluation reserve is made up of periodic adjustment arising from the fair valuation of motor vehicles and mobile branches, net of related deferred taxation and fair valuation of debt and equity instruments at fair value through OCI financial assets and liabilities. The reserve is not available for distribution to the shareholders.

The revaluations reserve movements for the Group are as shown below:

50. RESERVES (CONTINUED)

Revaluation Reserve (continued)

GROUP 31 December 2021	Motor vehicles and mobile branches	Debt instrument at fair value through OCI	Equity instrument at fair value through OCI	In TZS' Million Total
At 1 January	**4,232**	**42,794**	**(1,802)**	**45,224**
Increase/(decrease) during the year	**-**	**(1,702)**	**1,167**	**(535)**
Release to retained earnings (net of deferred tax)	**(1,214)**	**-**	**-**	**(1,214)**
At 31 December	**3,018**	**41,092**	**(635)**	**43,475**

BANK 31 December 2020	Motor vehicles and mobile branches	Debt instrument at fair value through OCI	Equity instrument at fair value through OCI	In TZS' Million Total
At 1 January	4,183	20,249	(607)	23,825
Increase/(decrease) during the year	(297)	-	-	(297)
Release to retained earnings (net of deferred tax)	1,047	22,545	(1,195)	22,397
Other movements	(701)	-	-	(701)
At 31 December	4,232	42,794	(1,802)	45,224

The revaluations reserve movements for the Bank are as shown below:

BANK 31 December 2021	Motor vehicles and mobile branches	Debt instrument at fair value through OCI	Equity instrument at fair value through OCI	In TZS' Million Total
At 1 January	**4,232**	**42,794**	**(1,802)**	**45,224**
Increase/(decrease) during the year	**-**	**(1,702)**	**1,167**	**(535)**
Release to retained earnings (net of deferred tax)	**(1,214)**	**-**	**-**	**(1,214)**
At 31 December	**3,018**	**41,092**	**(635)**	**43,475**
31 December 2020				**In TZS' Million**
At 1 January	3,885	20,250	(607)	23,825
Increase/(decrease) during the year	1,047	22,545	(1,195)	22,397
Release to retained earnings (Net of deferred tax)	(701)	-	-	(701)
At 31 December	4,231	42,795	(1,802)	45,224

51. 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.

				In TZS' Million
	GROUP		BANK	
	2021	2020	2021	2020
Cash in hand (Note 24)	311,717	307,431	304,998	303,209
Balances with Central bank (Note 24)	345,630	115,524	332,731	100,037
Due from banks (Note 25)	494,545	361,902	444,113	370,363
	1,151,892	784,857	1,081,842	773,609

52. FINANCIAL INSTRUMENTS BY CATEGORY

GROUP At 31 December 2021	Amortised cost	At fair value through OCI	At fair value through PL	In TZS' Million Total
Financial assets				
Cash and balances with Central bank	888,698	-	-	888,698
Due from banks	493,216	-	-	493,216
Financial assets at FVPL	-	-	27,097	27,097
Debt instruments at FVOCI	-	424,160	-	424,160
Loans and advances to customers	5,040,368	-	-	5,040,368
Debt instruments at amortised cost	1,202,593	-	-	1,202,593
Credit cards	1,844	-	-	1,844
Equity investment	-	10,595	2,886	13,481
Other assets*	89,599	-	-	89,599
	7,716,318	434,755	29,983	8,181,056

GROUP At 31 December 2020	Amortised cost	At fair value through OCI	At fair value through PL	In TZS' Million Total
Cash and balances with Central bank	652,918	-	-	652,918
Due from banks	361,902	-	-	361,902
Financial assets at FVPL	-	-	5,572	5,572
Debt instrument at FVOCI	-	501,005	-	501,005
Loans and advances to customers	3,929,096	-	-	3,929,096
Debt instruments at amortized cost	995,824	-	-	995,824
Credit cards	529	-	-	529
Equity investment	-	8,623	2,555	11,178
Other assets*	94,788	-	-	94,788
	6,035,057	509,628	8,127	6,552,812

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).

52. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities at amortised cost

GROUP	In TZS' Million	
	2021	**2020**
Deposits from banks	**715,202**	296,212
Deposits customers	**6,489,623**	5,434,647
Other liabilities*	**110,005**	84,941
Subordinated debt	**-**	32,407
Borrowings	**197,862**	238,054
	7,512,692	6,086,261

*Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

BANK				In TZS' Million
At 31 December 2021	Amortised cost	At fair value through OCI	At fair value through PL	Total
Financial assets				
Cash and balances with Central bank	**869,079**	**-**	**-**	**869,079**
Due from banks	**442,784**	**-**	**-**	**442,784**
Financial assets at FVPL	**-**	**-**	**20,807**	**20,807**
Loans and advances to customers	**4,903,448**	**-**	**-**	**4,903,448**
Debt instruments at amortized cost	**1,001,563**	**-**	**-**	**1,001,563**
Credit cards	**1,844**	**-**	**-**	**1,844**
Equity investment	**-**	**10,479**	**2,886**	**13,365**
Other assets*	**95,061**	**-**	**-**	**95,061**
	7,313,379	**10,479**	**23,693**	**7,347,951**

				In TZS' Million
At 31 December 2020	Amortised cost	At fair value through OCI	At fair value through PL	Total
Financial assets				
Cash and balances with Central bank	633,209	-	-	633,209
Due from banks	382,207	-	-	382,207
Loans and advances to customers	3,852,158	-	-	3,852,158
Debt instruments	843,316	501,005	-	1,344,321
Credit cards	529	-	-	529
Equity investment	-	8,488	2,555	11,043
Other assets*	96,494	-	-	96,494
	5,807,913	509,493	2,555	6,319,961

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).

52. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities at amortised cost

		In TZS' Million
	2021	**2020**
Deposits from banks	**682,948**	296,561
Deposits customers	**6,153,929**	5,234,145
Other liabilities*	**108,186**	83,989
Subordinated debt	-	32,407
Borrowings	**197,862**	238,054
	7,142,925	5,885,156

*Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

53. CONTINGENT LIABILITY

				In TZS' Million
	GROUP		BANK	
	2021	**2020**	**2021**	**2020**
Guarantees and indemnities	**1,657,774**	1,223,500	**1,657,603**	1,221,272
Letters of credit	**802,779**	136,830	**802,779**	135,532
Legal claims	**37,749**	32,228	**37,749**	32,228
	2,498,132	1,392,558	**2,498,301**	1,389,032

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 several court cases and tax disputes with the revenue authorities. The Group has taken appropriate legal measures to defend its position. Appropriate provisions have been made by the Group for the liabilities arising as disclosed in Note 44. Contingent liabilities arise for cases for which the outcome cannot be reliably determined as at the date of signing these financial statements.

For events whose outcomes are uncertain the Group considers contingent liabilities given the subjectivity and uncertainty of determining the probability and amount of losses. The Group considers several factors including legal advice, the stage of the matter and historical evidence from similar incidents.

In the year ending 31 December 2021, the company did not expect any reimbursement from the amount provided (2020: NIL).

54. COMMITMENTS AND LEASES

54.1 Commitments

				In TZS' Million
	GROUP		BANK	
	2021	**2020**	**2021**	**2020**
Commitments to extend credit	**269,013**	209,180	**269,013**	203,652
Capital commitments				
Authorized and contracted for	**46,204**	10,056	**46,204**	10,056
Authorized and not yet contracted for	**16,019**	232	**4,367**	232
	62,223	10,288	**50,571**	10,288

Group capital commitments authorised and contracted for are in respect of the following projects;

54. COMMITMENTS AND LEASES (CONTINUED)

- *Ongoing system development projects mainly Core banking, ESB, Switch and Card Management system TZS 36.3 billion.*
- *Branches constructions and Renovations TZS 6.1 billion.*
- *ATM and POS purchase TZS 3.8 billion.*

Capital commitments authorised and not yet contracted is for

- *Congo Subsidiary Project TZS 11.65 billion*
- *New branches construction, renovation, and relocation TZS 4.36 billion.*

54.2 Leasing Arrangements

Group as lessee

The Group has entered commercial leases for various office spaces including ATMs lobbies. The leases have an average life of between three (3) and ten (10) years. The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

- The lease agreements do not impose any covenants, however leased assets may not be used as security for borrowing purposes.
- There are no restrictions placed upon the lessee by entering into these lease agreements.
- During the year, the Group had no sale and leaseback transactions.
- There were no leases which were not yet commenced to which the Group was committed during the year.
- There were no variable lease payments during the year.
- There were no residual value guarantees during the year.
- The Group had no short-term leases or leases of low-value assets during the year (2020: Nil).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

			In TZS' Million
31 December 2021	1-5 years	Over 5 years	Total
Extension options not to be exercised	673	5	678
Termination options expected to be exercised	-	-	-
	673	5	678

			In TZS' Million
31 December 2020	1-5 years	Over 5 years	Total
Extension options not to be exercised	583	3	583
Termination options expected to be exercised	-	-	-
	583	3	583

During the year, despite the outbreak of the COVID 19 pandemic no concessions were given in terms of rent payments from Landlords.

Group and Bank as lessor

The Group and Bank acts as lessor of the land and building. These leases have an average contract lease of between three and six months with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering these leases.

Rental income recognised by the Group during the year is TZS 47 million (2020: TZS 54 million). The rental income includes TZS 19.7 million (2020: TZS 19.7 million) resulted from subleasing of the right of use assets.

Future minimum lease payments under non-cancellable operating leases as at 31 December were, as follows;

		In TZS' Million
	2021	2020
Within one year	47	54
After one year	-	-
	47	54

The above lease arrangements are mainly to the bank's staff on short term basis. The Bank has an option to terminate the lease with no significant penalties.

55. RELATED PARTY TRANSACTIONS

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

In the normal course of business, several 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 amount at the year-end for the Group is as follows:

				In TZS' Million
	Companies associated with Directors		Directors and other key management personnel	
	2021	2020	2021	2020
Loans and advances to related parties				
At 1 January	**1,457**	1,631	**6,258**	5,818
Net movement during the year	**(773)**	(174)	**1,165**	440
At 31 December	**684**	1,457	**7,423**	6,258
Interest earned	**77**	265	**349**	440
Current	**-**	50	**-**	-
Non-current	**684**	1,407	**7,423**	6,258
	684	1,457	**7,423**	6,258

Loans to key management personnel were issued at off market interest rate as per Group policy and repayable on demand. They are treated as employee benefit like other staff loans. Mortgage loans issued to key management are secured and repayable within 20 years while personal loans are unsecured and repayable within 5 years.

- Loans to non-executive directors were issued on commercial terms. These loans are payable on demand.
- As at 31 December 2021, the total loan balances outstanding were TZS 8,107 million (2020: TZS 7,715 million).
- As at 31 December 2021, the Group and Bank held collateral valued of TZS 5,313 million (2020: TZS 9,879 million) from key management personnel and non-executive directors.
- Loans and advances to related parties fall under Stage 1 and balance sheet provisions for doubtful debts related to the amount of outstanding balances is TZS 37 million (2020: TZS 63 million).

Provision expenses recognized/ charged to profit or loss during the period in respect of bad or doubtful debts due from related parties is TZS (26) million (2020: TZS 30 million).

				In TZS' Million
	Companies associated with Directors		Directors and other key management personnel	
	2021	2020	2021	2020
Deposits related parties				
At 1 January	**5**	13	**221**	428
Net movement during the year	**16**	(8)	**1,354**	(207)
At 31 December	**21**	5	**1,575**	221
Interest paid	**-**	-	**2**	1

55. RELATED PARTY TRANSACTIONS (CONTINUED)

Balances outstanding with related companies were as follows;

				In TZS' Million
	GROUP		BANK	
	2021	2020	2021	2020
Due from related parties*				
CRDB Burundi S. A	-	-	**5,197**	1,145
CRDB Insurance Broker	-	-	**80**	-
	-	-	**6,277**	1,145
Due to related parties*				
CRDB Insurance Broker	-	-	-	358
Loan advanced to subsidiary**				
CRDB Burundi S. A	-	-	**113,725**	82,291
Nostro to subsidiary				
CRDB Burundi S. A	-	-	**3,462**	221
Placement to subsidiary***				
CRDB Burundi S. A	-	-	**18,691**	22,279

*Amount due to/from subsidiaries relates to sales and purchases related parties which are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The TZS 5.2 bn in year 2021, relates to dividend distribution to the parent.

** Loans advanced to subsidiary relates to facilities which were intended to finance the below projects

- 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.
- To finance purchases of machinery for fertilizer manufacturing plant at an interest rate of 4.6%. The loan is fully secured and repayable in full on 30 Sept 2022.
- To finance purchases of machinery for cement production plant at an interest rate of 4.6%. The loan is fully secured and repayable in full on 21 July 2025.

***Placement to subsidiary relates to a placement with CRDB Burundi S.A intended to finance subsidiary operations. The Placement is made on terms equivalent to those that prevail in arm's length transactions. Outstanding balance at the year-end is unsecured. Interest is charged at 6.0% per annum and repayable in full on 23 August 2024 respectively. Interest received and paid from and to related parties respectively were as follows;

				In TZS' Million
	GROUP		BANK	
	2021	2020	2021	2020
Interest Income received from subsidiary				
CRDB Burundi S. A	-	-	**6,467**	5,228
Transactions with related companies were as follows;				
Payments made on behalf of subsidiaries				
CRDB Burundi S. A	-	-	-	-
CRDB Insurance Broker Company Ltd	-	-	-	-
	-	-	-	-
Rent paid to the parent				
CRDB Burundi S. A	-	-	-	-
CRDB Microfinance Company Services Ltd	-	-	-	616
CRDB Insurance Broker Company Ltd	-	-	-	-
	-	-	-	616

55. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with Related Parties

Purchase/ sale of properties on behalf of subsidiaries
In the year ending 31 December 2021, the company did not sale or purchase properties to/from any related party (2020: NIL).

Transfer of research and development
In the year ending 31 December 2021, the company did not transfer any cost of research and development to/from any related party (2020: Nil).

Guarantee
In the year ending 31 December 2021, there was no guarantee given or received to/from any related party (2020: Nil).

Settlement of liabilities on behalf of the entity or by the entity on behalf of another party
In the year ending 31 December 2021, there were no settlement of liabilities on behalf of the entity or by the entity on behalf of another entity (2020: Nil).

Rendering or receiving of services
During the year there were neither services rendered nor received to/from related party.

Leases
There were no lease transactions with related party during the year (2020: nil).

Treasury Shares
During the year the Bank did not reacquire its own equity instruments from related parties.

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 23. Key management personnel comprise board of directors, Managing Director, Chief Commercial Officer, Chief Operations Officer, Chief Financial Officer and Directors of departments who are reporting directly to the Managing Director.

The remuneration of key management personnel during the year was as follows:

	In TZS' Million	
	2021	2020
Short term employee benefits (salary)	9,138	8,536
Post-employment benefits (gratuity)	1,377	2,292
	10,515	10,828

The above compensation is a total salary package including all employment benefits and pension.

- There were no separation costs during the year related to severance pay of some key management personnel (2020: TZS 3,295 million).
- The amounts disclosed above are the amounts recognised as an expense during the reporting period related to key management personnel.
- During the year ended 31 December 2021, there were no pension contributions paid on behalf of Directors to defined contribution schemes.
- There Group does not have a defined benefit scheme for directors. Generally, the non-executive directors do not receive pension entitlements from the Group.
- There were neither termination benefits nor share based payment benefit made during the year (2020: Nil).

Transactions and Balances with Government of Tanzania (Group and Bank)

The Government of Tanzania owns 34.3% (2020: 34.3%) equity in the Bank through DANIDA Investment funds and Pension Funds and has significant influence. The Bank invested in government securities during the year and at the year-end the amount receivable from the Government of Tanzania in the form of treasury bills and bonds amounted to TZS1,425,726 million (2020: TZS1,492,439 million). Interest earned from investment in government securities during the year was TZS 172,649 million (2020: TZS 176,772 million). ECL related to transactions and balances are disclosed under note 27.

The Bank also accepts deposits from various Government institutions and related agencies, which attract interest like other deposits. As at 31 December 2021, deposits balances relating to the Government institutions and related agencies collectively amounted to TZS 181,931 million (2020: TZS 530,756 million).

56. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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

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