2018 Annual Report

TADB

Benki ya Maendeleo ya Kilimo Tanzania

"Benki ya Wakulima"

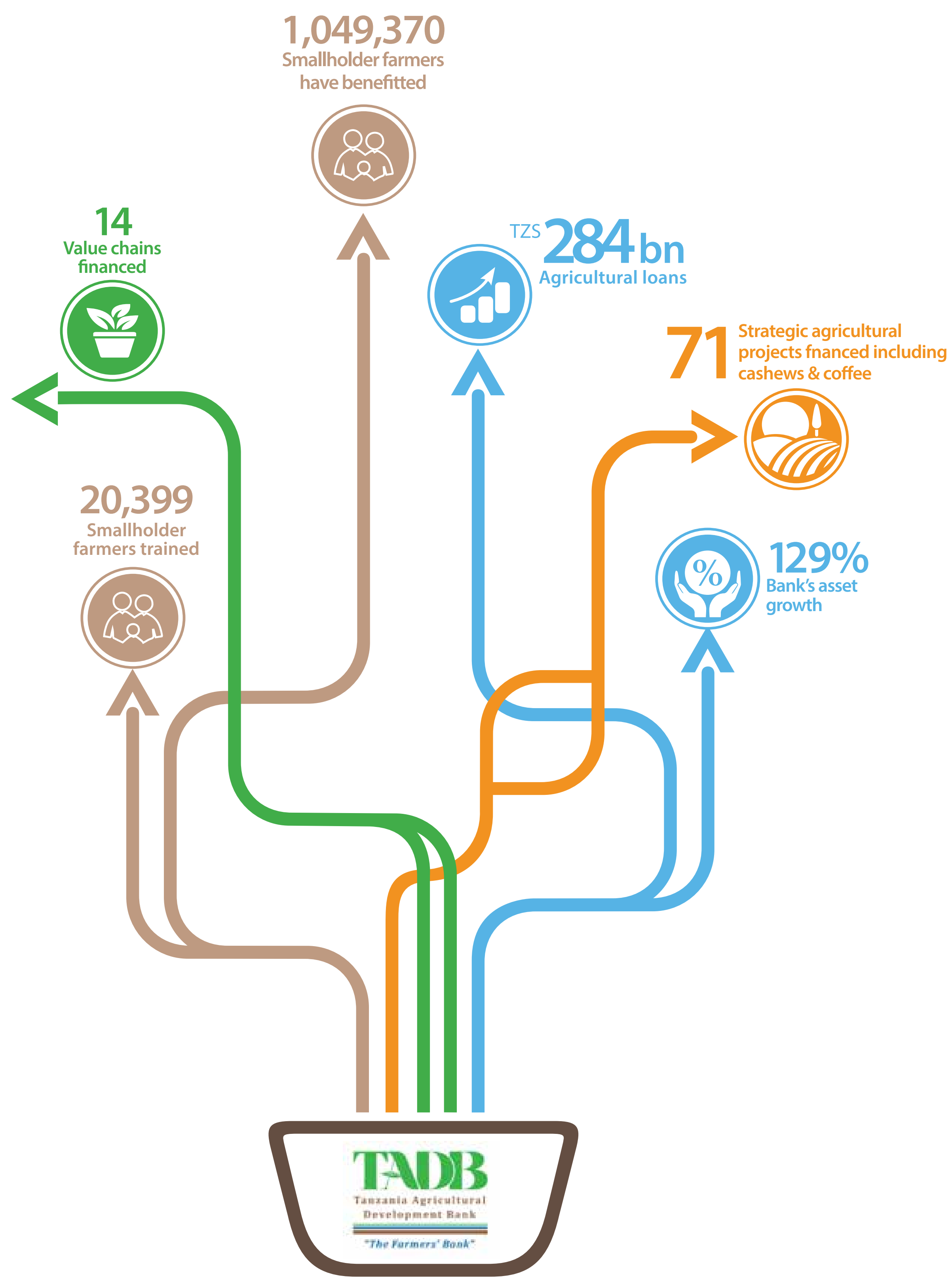
Breaking New Ground

BREAKING through the challenges faced by smallholder farmers to unlock opportunities for 70% of Tanzanians through the use of **NEW** farming methods that mechanize agricultural activities, add value to produce, provide storage for goods and improve access to markets.

Together with our partners, we are laying the **GROUND**-work to transform the agriculture sector from substance firming through providing finance solution that will enhance productivity and obtain higher yields.

Breaking New Ground

Performance Highlights



TADB

Benki ya Maendeleo
ya Kilimo Tanzania

"Benki ya Wakulima"

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Abbreviations

ASDP II	Agriculture Sector Development Programme II
BAC	Board Audit Committee
BBC	Board Business Committee
BHRAC	Human Resource and Administration Committee
BOT	Bank of Tanzania
DFI	Development Finance Institution
ECL	Expected Credit Loss
EOB	Extra Ordinary Board
FYDP II	Five - Year Development Plan II
IFRS	International Financial Reporting Standards
ISSAI	International Standards of Supreme Audit Institutions
MIVARF	Value Addition and Rural Finance Support Programme
PAA	Public Audit Act No. 11 of 2008
PAR	Public Audit Regulations, 2009
PPA	Public Procurement Act, 2016
PPR	Public Procurement Regulations, 2013
Reg.	Regulations
TADB	Tanzania Agricultural Development Bank
TZS	Tanzanian Shillings
URT	United Republic of Tanzania

Bank Information

Country of Incorporation:	Tanzania
Establishment:	Banking and Financial Institutions Act, 2006
Principal place of Operation and registered Office: **GENERAL INFORMATION**	**Head office** 3rd Floor, Acacia Estates 84 Kinondoni Road P.O. Box 63372 Dar es Salaam, Tanzania
Bankers	**Bank of Tanzania (BOT)** 2 Mirambo Street, 11884 Dar es Salaam P.O. Box 2939 Dar es Salaam, Tanzania
Auditors	**Controller and Auditor General** National Audit Office 16 Samora Machel Avenue P.O. Box 9080 Dar es Salaam, Tanzania

Definitions of Terms and Abbreviations

According to IFRS, a complete set of Financial Statements comprises of the following:

(a) Statement of Financial Position;

(b) Statement of Profit or Loss;

(c) Statement of changes in net assets/equity;

(d) Statement of Cash Flows;

(e) Notes, comprising a summary of significant accounting policies and other explanatory notes.

Timeline

2015

Obtained DFI license from Bank of Tanzania (BOT).

- Receipt of TZS 60 billion as initial capital injection from the Government of Tanzania.
- Launch of bank operations by Hon. Jakaya Kikwete, President of Tanzania.
- Formulation of the bank's long-term strategy.

2016

- Commencement of lending operations.
- Winning of mandate to manage USD 20 million for Smallholder Farmer Credit Guarantee Scheme (SCGS) and USD 5 million for Rural Innovation Fund (RIF).
- Commenced implementation of the capacity building programme for smallholder farmers.
- Disbursed loans worth TZS 2.6 bn reaching 1,777 beneficiaries.

2017

- Obtained TZS 103.7 billion for lending through soft loan from African Development Bank (AfDB).
- Adopted the clustering and value chain financing approach of the smallholder farmers agricultural transformation strategy.
- Disbursed loans worth TZS 7.8 bn reaching 4,109 beneficiaries.
- Started implementation of the

2018

Smallholder Farmer Credit Guarantee Scheme (SCGS) and on-boarded five partner banks.

- Opened three zonal offices – Central Zone, Eastern Zone and Lake Zone.
- Operationalised the research and advisory function of the bank.
- Disbursed loans worth TZS 84.5 bn reaching 958,265 beneficiaries.

Agriculture Sector Development Programme II

TADB's role in the implementation of ASDP II

Board of Directors

Back row: L – R

Neema C. John (Board Secretary)
Migangala Simon Milenge
Dome Philip Malosha
Johanes Busagi Kerenge
Joseph Mutalemwa Mutashubilwa
William Michael Mhoja

Front row: L – R

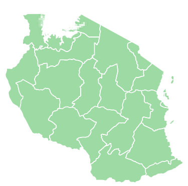
Omar Shane Bendera
Rosebud Violet Kurwijila (Chairperson)
Rehema Athuman Twalib

Chairperson's Statement

"TADB is pivotal to assessing the challenges smallholder farmers face in order to influence and implement policies ..."

Ms. Rosebud V. Kurwijila
Chairperson, TADB

On behalf of the Board of Directors, I am pleased to present the inaugural edition of Tanzania's Agricultural Development Bank's (TADB) Annual Report and Financial Statements for the year ended 2018.



65%
of the population is in engaged in agriculture

21.1%
of Tanzania's GDP comes from agriculture

With over 65% of the country's population engaged in agricultural activities and contributing 29.1% of the GDP, the sector requires strategic interventions and support in order for Tanzania to realize its development vision 2025.

Launched in June 2018, The Agriculture Sector Development Program (ASDP II) provides a roadmap towards attainment of the vision. The bank is aligned to the broader objectives set out in ASDP II which seeks to catalyze agriculture's contribution to the country's GDP, improve the productivity and profitability of smallholder farmers by transforming agricultural activities from subsistence to commercialized modern farming and food security.

Therefore, a key pillar of the Bank's strategic focus is to ensure smallholder farmers are empowered to meaningfully participate and contribute to the agricultural sector through capacity building programmes for enhanced financial literacy and inclusion.

As a state-owned Development Finance Institution (DFI), TADB is pivotal to assessing the challenges smallholder farmers face in order to influence and implement policies that will incentivize commercial banks to enrich their agribusiness portfolios to further strengthen the agricultural value chain.

In this regard, the bank made significant inroads in 2018 to further cement these strategic partnerships with the operationalization of a USD 20 million Smallholder Credit Guarantee Scheme. Through this initiative, TADB shares the financial risk of lending to smallholder farmers in order to further incentivize commercial banks to participate in the agricultural sector.

With this in mind, TADB has focused on building partnerships and developing strategic alliances with key stakeholders. Currently the bank has executed over 100 Memorandum of Understanding (MOUs) and is well positioned to further advance the primary objective of inclusive economic development that will alleviate poverty. Specifically, the bank's partners will assist to bridge the knowledge and skills gap of smallholder farmers, which is critical towards meaningful participation within the the agricultural value chain.

Since the bank's launch in August 2015, our footprint has expanded to 16 regions across Tanzania with over TZS 280 billion agricultural loans disbursed, impacting over 1 million smallholder farmers.

In its endeavor to unlock agriculture's potential and reach smallholder farmers across the country, the bank has mapped the country according to 8 clusters with strategic value chains, crops and activities.

It is the bank's ambition to support the development of agricultural parks in every cluster in line with the government's industrialization agenda. The bank has identified four potential parks in: Busega, Simiyu; Nyantwali, Mara; Chauru, Pwani; and Bugwema, Mara.

All processes along the value chain, from production to finished goods, will be facilitated within the agricultural parks. With a view to uplift smallholder farmers, the parks will mobilize, enable and empower them, provide storage for their crops, give them access to processing and refinery, offer quality packaging and approvals, and transport their goods to market.

To this end, in 2018 TADB supported key projects including the implementation of a storage facility, which will help reduce post-harvest losses and the development of four large irrigation projects, thus improving the yield of crops resulting in a positive financial benefit for smallholder farmers.

In order to meet the country's aspirations of attaining lower middle-income economic status by 2025 and deliver prosperity to the people of Tanzania, support is required from a number of stakeholders in order to boost agriculture's contribution to the GDP. The future of agriculture in Tanzania will transform the lives of over 30 million people provided the necessary support is granted.

clusters with strategic value chains, crops and activities

I wish to express my sincere gratitude to the Board of Directors who continue to provide leadership and guidance during this important stage of the bank's nascent journey as we work towards delivering its strategic vision.

I also take this opportunity to thank our Partners and Management Team for their dedication in attaining the bank's objectives for development.
Finally, I extend sincere thanks to the Government of the United Republic of Tanzania for the unwavering commitment to supporting the bank's strategic vision. I am confident that through continued partnership, we will achieve our vision of transforming Tanzania's agricultural sector from subsistence to modern farming and agribusiness for inclusive and sustained economic development.

Tapping into cotton's potential

6.6bn
injected to boost production

0.5m
employment

24%
contribution to agricultural exports

Cotton is a strategic crop in Tanzania contributing substantially to employment and export revenues. The latest estimates show that the sector provides employment to about 500,000 smallholder farmers and approximately 14 million people, derive their livelihood, directly and indirectly, from cotton.

Tanzania is ranked the fourth major producer in Africa and cotton is the second largest export crop after coffee, contributing 24% of agricultural exports. Tanzania endeavors to become the leading producer of cotton in Africa. In order to meet its objective, improvements have to be made to the production quality of the crop. One of the key inputs to ensuring quality is not compromised is the use of pesticides. However, smallholder farmers are known to use limited pesticides when cultivating cotton. In order to bridge this gap, the bank, in collaboration with the Tanzania Cotton Board, issued TZS 6.6 billion to facilitate importation of pesticides for farmers in 17 cotton growing regions in the country, resulting in a 67% yield increase.

Future outlook

The government, through the Ministry of Agriculture, Livestock and Fisheries has ambitions to increase foreign exchange earnings to USD 150 million from the current USD 90 million by 2020 and interventions are in place to improve inputs to production and double productivity across the value chain.

A Message from the Managing Director

" We believe that with the right interventions, there will be a shift in the narrative of agriculture to a managed risk profitable venture that will attract inflows of both financial and human capital."

Mr. Japhet Justine
Managing Director, TADB

Despite the disproportionate concentration of poverty in rural areas across the globe and Tanzania in particular, mainstream banking tends to gravitate away from providing loans to smallholder farmers. The agricultural lending portfolio in the country is only around 7% while the sector contributes about 29% of the GDP and provides more than 65% of employment, 30% of the export earnings and 65% of the raw materials for the industrial sector. Other agricultural dependent countries in the region, like Malawi and Zambia, have managed to push their agricultural lending to 21% and 18% (respectively) which demonstrates that there is room for improvement in Tanzania. Even the stated 7% agricultural credit offered by commercial banks in Tanzania is highly concentrated towards large scale farmers, agro-processors and inputs dealers, excluding the majority of small-scale farmers from access to finance. Yet, more than 90% of the food and agricultural produce in the country are produced by smallholder farmers which calls for necessary intervention.

Agricultural finance is well known for being a notoriously risky undertaking among banks. Such narratives have dominated the market and led to government and market failure in the credit market for agriculture in most developing countries – in particular countries in Sub Saharan Africa. It is against this background that the Tanzanian government decided to intervene by creating a state owned Tanzania Agricultural Development Bank (TADB) to stimulate agricultural lending in the country. The banks' core mission is to facilitate development and support transformation of the agriculture sector by providing short, medium- and long-term finance to agriculture projects in Tanzania that promote economic growth, food security and reduction of income poverty. TADB is among the core policy instruments for implementing FYDP II and ASDP II.

Our Approach

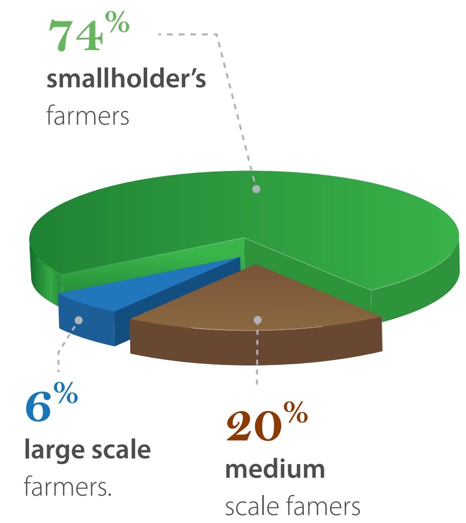
Our mission is to catalyze agricultural lending in the country through a cluster-based value chain financing approach. We support the entire value chain ranging from a spectrum of activities such as unlocking the market potential, seed multiplication to providing funding for key infrastructure such as irrigation schemes, In collaboration with the public and private sector, the bank offers patient capital to de-risk the industry. We also influence the strengthening of institutions and the aggregation of farmers into organized groups, by providing technical support and administering credit guarantee schemes to attract investment. We believe that with the right interventions, there will be a shift in the narrative of agriculture to a managed risk profitable venture that will attract inflows of both financial and human capital.

Our impact

While acknowledging the nascent stage of our bank, we are proud to report that our impact has been felt and distributed across 14 different value chains in cereals, livestock, fish and cash crops. Our loan portfolio has increased exponentially over the last two years from TZS 2. 66 billion recorded in December 31st 2016 to TZS 95.11 billion as at December 31st 2018. The bank's growth has benefited over 1 million farmers comprised of 74% smallholders, 20% medium and 6% large scale farmers. We have provided smallholder farmers credit guarantee schemes through commercial banks and community banks, that are extending our outreach on our guarantee programmes to increase funding to farmers.

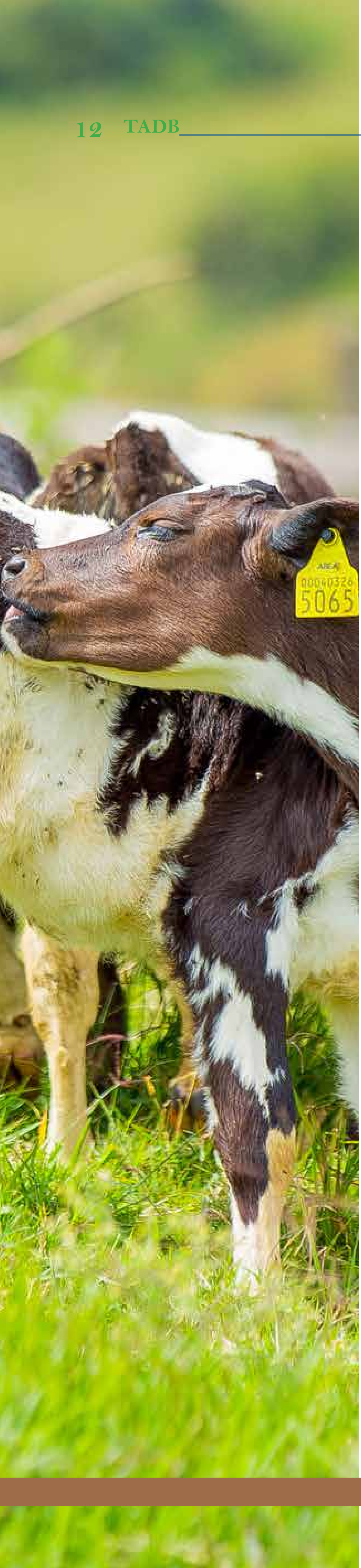
The bank's growth has benefited

1,049,370 farmers



Looking ahead

We are very positive about the bank's trajectory to continue to unlock the potential of value chains with a significant socio-economic impact on smallholder farmers. In that regard, we will concentrate on capacity building for farmers and our credit guarantee partners. The bank will also pursue fundraising for the sustainability of its activities and financing off-takers which will in turn guarantee the markets for smallholder farmers.



The TADB

1.1 Background

In compliance with the Public Corporations Act, 1992 and the Tanzania Financial Reporting Standard No. 1 on Directors' Report, the Directors of Tanzania Agricultural Development Bank Limited (TADB) are required to submit report and financial statements for the year ended 31 December 2018. The Directors, therefore, hereby present this report and the audited financial statements for the financial year ended 31 December 2018 which discloses the affairs of the Bank and its financial position as at 31 December 2018.

1.2 Corporate Outlook

Establishment and Mandate

Tanzania Agricultural Development Bank Limited (TADB) is a state-owned development finance institution (DFI) established under the Companies Act no. 2 of 2002 and given Certificate of Incorporation no. 94075 on 26th September 2011. The key role of the bank is to be a catalyst for delivery of short, medium and long- term credit facilities for the development of agriculture in Tanzania. Its establishment is among the key initiatives and national goals enshrined in the Vision 2025 to achieve food self-sufficiency and food security, economic development and poverty reduction.

Vision

To be a world-class model agriculture development bank that supports and promotes Tanzania's agriculture transformation from subsistence to commercialized modern farming and agri-business for economic growth and poverty reduction.

Mission

To facilitate development and support transformation of the agriculture sector by providing short, medium and long term finance to agriculture projects in Tanzania that promotes economic growth, food security and reduction of poverty.

1.3 Core Values

Integrity

We advocate and demonstrate high levels of integrity in all aspects, including ethical conduct, transparency, respect, objectivity and accountability in discharging our duties.

Innovation

We embrace innovation in all undertakings of the bank in terms of products and services design and delivery, to continuously improve performance and operational efficiency.

Professionalism

We value and exercise professionalism in carrying out our daily business activities, which is demonstrated by constant pursuit, acquisition and deployment of technical knowledge and skills, and compliance with laws, regulations and standards.

Teamwork

We promote and embrace teamwork spirit among staff, and with customers and partners; aimed at enhancing cooperation, and sharing of knowledge and experience from different backgrounds and disciplines; for the attainment of organizational goals and objectives.

1.4 Principal Activities

The principal function of the Tanzania Agricultural Development Bank Limited is to catalyse delivery of finance and related non-finance services and facilities to the agricultural sector in Tanzania including:

i. To provide short, medium and long-term facilities to the agricultural sector;

ii. To Catalyse credit delivery to the agricultural sector and thereby accelerate agricultural growth;

iii. To lead as an apex agriculture financing bank, in capacity building strategies and programmes to strengthen the agriculture financing value chain;

iv. To finance seasonal agriculture operations, fisheries, beekeeping and livestock activities; and

v. To strengthen the financing value chain through training, research and consultancy.

1.5 Key Objectives

i. To improve productivity in the agriculture sector by supporting infrastructure development like Irrigation schemes, transportation, storage, market infrastructure, processing etc.

ii. To play a leading role as an apex agricultural development bank, and catalyse other banks and financial institutions to participate actively in financing of agriculture value chains;

iii. To mobilize low-cost sustainable financial resources for affordable agricultural financing and enhancing financial inclusion for subsistence and smallholder farmers;

iv. To promote modernization and commercialization of small scale farmers;

v. To engage with the Government, Strategic partners and relevant stakeholders in developing and implementing agriculture development policies as well as initiatives to enhance financial inclusion; and

vi. To enhance adherence to the good corporate governance principles with a view to increasing compliance and efficiency, in organizational performance.

1.6 Corporate Governance

Board of Directors Composition and Roles

The Board comprises 9 non-executive members and secretary who is the Head of Legal Services of the Bank. The chairperson of the Board is appointed by His Excellency the President of the United Republic of Tanzania and other members are appointed by the Minister for Finance and Planning for tenure of Three (3) years renewable.

The Board of Directors is the focal point of the bank's corporate governance system. It is ultimately accountable and responsible for the performance and affairs of the bank. The Board is assisted by three Committees in discharging its duties and responsibilities. The committees include; Audit, Risk and Compliance Committee, Business Committee and Human Resources and Administration Committee.

Each Committee is assigned specific focus areas and specialised functions in the operations of the bank. However, the Board remains ultimately responsible for all the bank's governance and policy decisions.

1.7 Board Membership

The Directors of the bank at the date of this report and who have served since 01 January 2018 are as follows:

S/N	Name	Position	Qualification	Age	Nationality
1.	Rosebud Violet Kurwijila	Chairperson	Masters' in Agricultural Economics; Master of Philosophy in Development Economics	66	Tanzanian
2	Migangala Simon Milenge	Member	Masters' Degree in Business Administration, Certified Public Accountant	47	Tanzanian
3	Rehema Athuman Twalib	Member	MSc in Development Economics	62	Tanzanian
4	Omar Shane Bendera	Member	Masters' Degree in Development Economics	72	Tanzanian
5	Hussein Hassan Mbululo	Member	Masters' Degree in Finance	65	Tanzanian
6	Joseph Mutalemwa Mutashubilwa	Member	Masters' Degree in Business Administration, Msc Civil Engineering	51	Tanzanian
7	Johanes Busagi Kerenge	Member	Masters' Degree in Business Administration, Certified Public Accountant	53	Tanzanian
8	Dome Philip Malosha	Member	Masters' Degree in Business Administration, Certified Public Accountant	63	Tanzanian
9	William Michael Mhoja	Member	Masters' Degree in Economic Policy Management.	50	Tanzanian

1.7.1 Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee's prime functions are to review accounting policies, the adequacy of contents of the bank's financial reports, Management's approach to internal controls and risk management, the adequacy and scope of the external and internal audit functions, compliance with regulatory and financial reporting requirements, overseeing the relationship with external auditors and to provide assurance to the Board that available control procedures are implemented by the Management, and are complete and effective.

Members of the Board Risk and Compliance Audit Committee of the bank at the date of this report and who have served since 01 January 2018 are as follows:

S/N	Name	Position	Qualification	Age	Nationality
1.	Omar Shane Bendera	Chairman	Masters' Degree in Development Economics	72	Tanzanian
2.	Migangala Simon Milenge	Member	Masters' Degree in Business Administration, Certified Public Accountant	47	Tanzanian
3.	Johanes Busagi Kerenge	Member	Masters' Degree in Business Administration, Certified Public Accountant	53	Tanzanian
4.	Dome Philip Malosha	Member	Masters' Degree in Business Administration, Certified Public Accountant	63	Tanzanian

1.7.2 Business Committee

The primary purpose of the Board Business Committee of TADB is to facilitate timely product/service delivery and ensure the prudent management of the bank's business with customers in accordance with the policies and procedures adopted by the bank.

Members of the Board Business Committee of the bank at the date of this report and who have served since 01st January 2018 are as follows:

S/N	Name	Position	Qualification	Age	Nationality
1.	Rehema Athuman Twalib	Chairperson	MSc in Development Economics	62	Tanzanian
2.	Migangala Simon Milenge	Member	Masters' Degree in Business Administration, Certified Public Accountant	47	Tanzanian
3.	Hussein Hassan Mbululo	Member	Masters' Degree in Finance	65	Tanzanian
4.	William Michael Mhoja	Member	Masters' Degree in Economic Policy Management.	50	Tanzanian
5.	Joseph Mutalemwa Mutashubilwa	Member	Masters' Degree in Business Administration, Msc Civil Engineering	51	Tanzanian

1.7.3 Human Resources and Administration Committee

The principal objective of the Human Resources and Administration Committee is to assist the Board of Directors of TADB to fulfil its functions by providing informed and timely interventions and advice on issues related to human resources development and administration.

Members of the Board Human Resources Committee of the bank at the date of this report and who have served since 01 January 2018 are as follows:

S/N	Name	Position	Qualification	Age	Nationality
1.	Hussein Hassan Mbululo	Chairman	Masters' Degree in Finance	65	Tanzanian
2.	Rehema Athuman Twalib	Member	MSc in Development Economics	62	Tanzanian
3.	Joseph Mutalemwa Mutashubilwa	Member	Masters' Degree in Business Administration, Msc Civil Engineering	51	Tanzanian
4.	Dome Philip Malosha	Member	Masters' Degree in Business Administration, Certified Public Accountant	63	Tanzanian

1.7.4 Meetings of the Board and its Committees

The Board held Five (5) ordinary meetings and Six (6) extra ordinary meetings during the year. In addition, there were various ordinary and extra ordinary meetings of the Board committees. All members of the Board showed themselves to be willing and devoted their time required for the Board meetings. Below is a summary indicating the number of meetings attended by Members of the Board/ Committee from 1 January to 31 December 2018.

Number of Meetings attended

S/N	NAME OF DIRECTOR	BOARD	EOB	BBC	BHRAC	BAC
1.	Rosebud Violet Kurwijila	5	6			
2.	Johanes Busagi Kerenge	5	5			9
3.	Rehema Athuman Twalib	5	4	15	7	
4.	Omar Shane Bendera	5	5	-		9
5.	Hussein Hassan Mbululo	5	4	14	8	
6.	Joseph Mutalemwa Mutashubilwa	5	3	11	7	
7.	Dome Philip Malosha	5	5	-	8	8
8.	Migangala Simon Milenge	5	5	13	8	
9.	William Michael Mhoja	5	4	10	5	

KEY

Board: Board of Directors
EOB: Extra Ordinary Board Meeting
BAC: Board Audit Committee
BBC: Board Business Committee
BHRAC: Human Resource and Administration Committee

1.8 Board Membership Key features of Board processes

The dates of the Board and board committee meetings are scheduled one year in advance. To assist directors in planning their attendance, the Company Secretary consults every director before fixing the dates of these meetings. The Board meets at least four times a year and warranted by the particular circumstances. Ad hoc (extra ordinary) meetings are also convened to deliberate on urgent substantive matters.

1.9 Board of Directors Appointments

The members of the TADB Board of Directors are non-executive directors. The directors are persons with knowledge and experience and they are appointed on the basis of merit from amongst persons who are experienced in development financing, agriculture, banking, economic or financial matters, and other relevant experience (and at least two shall possess significant experience in banking and microfinance) or any other equivalent qualifications.

The tenure of the Board is three years. The Chairperson of the Board is the presidential appointee, whereas all other members of the Board are appointed by the Minister for Finance and Planning after every three years.

All directors appointed were confirmed by the General Annual meeting and approved by the Bank of Tanzania.

1.10 Board of Directors Independence and conflict of interest

The TADB Board has an oversight role of providing high-level directions to the bank's Management to ensure that the bank operates in a sound and efficient manner at all times, pursuant to the Companies Act, 2002, the Banking and Financial Institutions Act, 2006, DFI Regulations, Bank strategic plan as well as Bank Business Plan.

In discharging Board responsibilities effectively, each Director, command a high level of integrity, honesty, competence and ability to adhere to good corporate governance principles. A director who is in any way, whether directly or indirectly, interested in any matter contract or proposed contract with the bank shall declare the nature of his/her interest at a meeting of the directors in accordance with Section 209 of the Companies Act and section 85 of TADB Articles of Association. Accordingly, a Director is liable for damage caused when he breaches a duty of care or for failure to declare conflict of interest;

1.11 Directors Remunerations

TADB Directors annual fees and any other remunerations to the Board members are approved by the Annual General Meeting.

During the year the Bank paid directors fees to all Board members that amounted to TZS 92 million and other Board expenses amounting to TZS 158 million.

1.12 Evaluation of the Board Effectiveness

Board performance evaluation is carried out under the supervision of the Board Audit, Risk and Compliance Committee and the results of the evaluation are usually submitted to the full Board for adoption and/or further action.

1.13 Management Team

The Bank is under the supervision of the Board of Directors and the day-to-day management is entrusted to the Managing Director who is being assisted by the Management Committee (MANCO).

By the end of 31 December 2018, organisational structure of the Bank comprised of the following directorates/independent departments/units.

- Directorate of Planning Research and Policy
- Directorate of Finance, Funding & Resource Mobilisation
- Directorate of Credit and Business Development
- Directorate of Portfolio Management
- Information & Communication Technology Unit
- Procurement and Stores Unit
- Risk and Compliance Unit
- Internal Audit Unit
- Legal Services and Board Secretarial Services
- Human Capital and Administration Unit
- Public Relations and Marketing Unit

The Management of the bank has interalia, the following committees responsible to develop goals, strategic plans, policies, and make decisions on the direction of the business as well as engaging itself in acts related to the ordinary course of the bank's business or carrying out activities in conformity with the budget and strategic plan approved by the Directors;-

- Management Committee (MANCO)
- Asset and Liability Committee (ALCO)
- Audit, Risk and Compliance Committee
- Management Credit Committee (CREDCO)
- Appointments and Remuneration Committee
- ICT Steering Committee
- Business Development Committee
- Management Tender Board Committee
- Loan Portfolio Quality Committee
- Fraud Roundtable Committee

Most of the above committee meet at least once a month to execute its responsibilities specified on the terms of references.

1.14 Key milestones achieved during the financial year 2018

During the year 2018, the following key achievements were recorded:

- Solicited and approved loan facilities worth TZS 151.68 billion out of which TZS 84.6 billion was disbursed. The loans disbursed benefited 822,143 smallholder farmers in Njombe, Morogoro, Songwe, Iringa, Ruvuma, Rukwa, Manyara, Tanga, Mbeya, Shinyanga, Mtwara, Lindi, Kagera, Arusha, Dar es Salaam and Pwani.
- Out of the amount disbursed, TZS 26.2 billion was repaid during the year 2018.
- The bank financed five subsectors of agricultural produce which comprised 13 value chains i.e. Cereals (maize, paddy and sorghum), horticulture (vegetables and fruits), Forest Produce (Bee Keeping), Oil Seeds (Sunflower); industrial commodities (sugarcane, coffee, cotton and cashews); livestock (dairy); and fisheries (fish farming);
- In supporting the government efforts curb the post-harvest loses which accounts for up to 40% of the produces yearly, the bank financed construction of one (1) warehouse in Mbarali, Mbeya with size of 2,975 cubic meters.
- The Bank continued with efforts to develop large irrigation projects, viable out-growers projects and nuclear model project countrywide. To this end, four big projects have been identified and are in different stages of implementation;
  a. Paddy irrigation project covering 2,050 acres in Busega (Simiyu),
  b. Barley, Sorghum and maize value chains supported by Global Agency Limited (Kagera),
  c. Grapes irrigation project in Chamwino (Dodoma) covering 400 acres and
  d. Bugwema Irrigation project in Mara;
- The bank approved and disbursed TZS 36.6 billion loans for crop financing where by TZS 30 billion facilitated coffee trading operations through 3 apex farmer cooperative organizations namely: Ngara Farmers Cooperative Society (NFCS), Kagera Cooperative Union (KCU) and Karagwe District Cooperative Union (KDCU) benefiting more than 201,236 famers in the region.
- Likewise, in 2018, in cooperation with Tanzania Cotton Board (TCB), TADB issued TZS 6.6 billion to one of the agro inputs suppliers namely M/s Bajuta International Tanzania Limited for facilitating importation of cotton pesticides for farmers in 17 cotton growing regions in the country. More than 500,000 cotton farmers benefited from this facility.
- The bank started operationalization of $20 million Smallholder Credit Guarantee Scheme (SCGS) where by three banks i.e. NMB Bank PLC, TPB Bank and CRDB Bank PLC were on-boarded and started utilizing the facility where by the final beneficiaries are smallholder farmer. Through this scheme, the bank shares the credit risk with commercial banks to promote their engagement on the sector.
- Likewise, the bank started operationalization of the Rural Innovation Fund (RIF) formed to contribute to development of scalable and commercially viable innovations which result in improved livelihood of smallholder farmers through improved access to

financial services and better integration in agricultural value chains.

- Enhanced the Bank's capacity to implement its Plans by completing recruitments for filling various positions including positions of Head of ICT, Agency Fund Manager alongside several other non-managerial positions;
- Started and operationalized 2 zonal/cluster offices in Lake Zone (Mwanza) and central zone (Dodoma). The Southern Highland office in Mbeya and western zone office in Kigoma will be finalized early 2019.
- Secured office space in Mbeya for establishment of TADB Offices for Southern Highlands Zone regions.
- Key studies and research which were on going at the yearend included the following;-

a. Feasibility study for establishment of smallholder coffee production in Kigoma

The study is expected to define the market opportunity for smallholder coffee production in Kigoma, identify barriers along the various segments of the coffee value chain and factors affecting actors decisions to invest. The study is also expected to propose practical solutions to the identified barriers, identify potential investment opportunities and propose key entry points for TADB interventions.

b. Feasibility study for establishment of smallholder sisal production in Tanga and Morogoro

The study is expected to inform the Bank of the potential investment opportunities in the sisal value chain in Tanga and Morogoro and, propose operational models for smallholder sisal production and key entry points for financing and other interventions.

c. Rapid Market Assessment of key export crops in Tanzania (cotton, coffee, sisal, cashew, tea, cashew and cloves)

The study is expected to inform the design of specific measures to support development of functional markets for the crops. The assessment is also expected to identify opportunities for increasing the competitiveness of the crops by identifying key bottlenecks in the value chains, with specific emphasis on local value addition, and proposing practical solutions to the identified barriers as well as key entry points for TADB interventions.

1.16 Financial performance for the year ended 31 December 2018

Revenue

During the year the bank earned TZS 13.9 billion compared to TZS 12.3 billion in prior year representing an increase of 7%. This was chiefly driven by significant loan portfolio growth whose price is relatively high as compared to bank placements. The interest income on placements was partly impacted by lower market interest rates attributed by loose monetary policy.

Non-interest income which includes appraisal fee, revenue grants, foreign exchange gain and other gains amounted to TZS 2.4 billion compared to TZS 1.0 billion earned in prior year. The increase was largely contributed by increase in appraisal fee commission income and forex exchange gain by 56%.

Interest Expense

Interest expense during the year amounted to TZS 1.4 billion compared to TZS 0.8 billion in prior year representing an increase of 48% due to fully year charge on the long term loan from AfDB which was booked on the second half of 2017.

Operating Expenses

Operating expenses went up from TZS 9.6Bn in 2017 to TZS 11.8Bn this year chiefly driven by higher staff cost attributed by new recruitments during the year and other operating cost due to higher business appraisal and monitoring expenses (business operations growth) and operationalization of two new zonal offices

Credit impairment

Credit impairment went up from TZS 25 mil booked in 2017 to TZS 499 mil this year mainly due to customer loans growth which have higher risk profile as compared to short term placements with other banks. The increase was also attributed by IFRS 9 which was effective in 2018 requiring higher and forward looking provisions to be made at initial stage of the financial assets recognition.

Key performance ratios

The key performance ratios of the Bank are as indicated below:

S/N	Particulars	2018	2017
1	Return on total assets	0.73%	2.34%
2	Return on Equity	3.0%	4.3%
3	Non-interest income to net interest income	19.4%	9.2%
4	Interest expense to Interest income	10%	6.1%
5	Loans to Total Assets	68%	7%
6	Cost to income ratio	78.30%	76.84%
7	Tier I Capital Adequacy Ratio	88%	143%

1.17 Risk Management and Internal Control

The bank is inherently exposed to Credit Risk since lending activities form its core business. Other risks include Liquidity Risk and Market Risk including interest risk and foreign exchange risk. In addition, the bank is exposed to Operational Risk.

The Board accepts final responsibility for the risk management and internal control system of the bank. The management ensures that adequate financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

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

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

The Board assessed the internal control systems throughout the financial year ended 31 December 2018 and the Directors are satisfied that they met acceptable criteria. The bank's internal controls have been assessed as Medium Risk. A review of transactions from initiation and authorization, recording and processing indicated that the controls are adequate.

1.18 Pending litigations, Claims and Assessments

At the year ended 31 December 2018, there were two (2) pending cases. A legal opinion has been made assessing the likelihood of losing/ wining both cases which remained outstanding since 2016. The bank's legal advisors are more than 50% confident that the bank will win both cases; however, a provision of TZ 658 million (2017: TZ 658 million) has been made.

1.19 Employees' welfare

i) Management and Employees' Relationship

There is continued good relationship between employees and management for the year ended 31 December 2018.

Gender Parity

The bank is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion and disability which does not impair ability to discharge duties. At end of the year, the bank had 71 employees, out of which 21 were female and 50 were male, while in 2017 it had 44 employees, out of which 10 were female and 34 were male.

ii) Training Facilities

When presenting its annual budget for the year 2018, the bank set aside a sum of TZS 225 million for staff training in order to improve employee's technical skills and hence effectiveness, a sum of TZS 166 million was spent in the year ended 31 December 2018.

Training programs have been and are continually being developed to ensure employees are adequately trained at all levels, all employees have some form of annual training to upgrade skills and enhance development.

iii) Medical Assistance

All members of staff with a maximum number of 4 beneficiaries (dependents) for each employee were availed medical insurance guaranteed by the Board. Currently the medical services are provided by the National Health Insurance Fund.

iv) Health and Safety

The company has a strong health and safety department which ensures that a strong culture of safety prevails at all times. A safe working environment is ensured for all employees and contractors by providing adequate and proper personal protective equipment, training and supervision as necessary.

v) Financial Assistance to Staff

Loans are available to all confirmed employees depending on the assessment of and the discretion of management as to the need and circumstances. It is the bank's policy as part of overall remuneration/ benefits package to provide staff with preferentially priced loans as additional incentives. The staff loans are worked out to ensure that Taxes, pension deductions and installments for repaying all loans (including salary advance and other deductions that the staff may have with TADB or any other lenders) do not exceed 2/3 (two thirds) of employee's gross salary.

vi) Persons with Disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Bank continues and appropriate training is arranged. It is the policy of the Bank that training, career development and promotion of disabled persons should, as far as possible, be identical to that of any other employee.

vii) Employees Benefit Plan

The Bank contributes to publicly administered pension plans on mandatory basis which qualifies to be a defined contribution plan. The number of employees on the contribution plan at end of the year was 71 (2017: 44).

1.20 Environmental Control

The bank monitors the impact of its operations on the environment, which is mainly through the use of power, water and the generation of waste. The Company minimizes its impact through the better use of its premises and inbuilt facilities to ensure that there is proper waste management.

1.21 Related party transactions

All related party transactions and balances are disclosed in note 25 to these financial statements.

1.22 Political and Charitable donations

During the year ended 31 December 2018 the bank donated TZS 30.9 million to various organisations and programmes in the agriculture sectors i.e. Chauru women group, NEEC 3rd annual NEC MP, Cooperative Unions in Manyara, Palm oil stakeholder and 7th Geita Business Forum. In 2017, the bank donated TZS 9.6Millions to Tanzania Dairy Board for showcasing in the National Dairy Week exhibition held in Kagera Region

1.23 Solvency

The Board of directors confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of directors has reasonable expectation that the bank has adequate resources to continue in operational existence for the foreseeable future.

1.24 Auditors

The Controller and Auditor General is the statutory auditor of the Tanzania Agricultural Development Bank by virtue of article 143 of the Constitution of the United Republic of Tanzania, and as amplified in section 32 (4) of the Public Audit Act No 11 of 2008. However, in accordance with Section 33 (1) of the Act, M/S HLB Mekonsult were appointed to carry out the audit of Tanzania Agricultural Development Bank on behalf of the Controller and Auditor General.

1.25 Statement of Directors Responsibility

These financial statements have been prepared by the management of the Tanzania Agricultural Development Bank in accordance with the Companies Act no.12 of 2002.The financial statements are presented in a manner consistent with the International Financial Reporting Standards (IFRS).

The Board Directors are responsible for the preparation and fair presentation of the financial statements, comprising the Statement of Financial Position as at 31 December 2018, and the Statement of Profit or Loss and Other Comprehensive Income, the statement of changes in equity and Statement of cash flows for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with the International Financial Reporting Standards (IFRS).

The Directors' responsibility includes: designing, implementing and maintaining internal control system relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and to provide reasonable assurance that the transactions recorded in the accounts are within the statutory authority and that they contain the receipt and use of all public financial resources by Tanzania Agricultural Development Bank.

To the best of our knowledge, the system of Internal Control has operated adequately throughout the reporting period and that the financial statements and underlying records provide a reasonable basis for the preparation of the financial statements for the year ended 31 December 2018.

We accept responsibility for the integrity of the financial statements, the information they contain and their compliance with the Companies Act no.12 of 2002 and instructions issued by Treasury in respect of the year under review.

The Directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the financial year ahead.

1.26 Approval of the Financial Statements

The financial statements of Tanzania Agricultural Development Bank were approved by the board of directors and are signed on its behalf by:

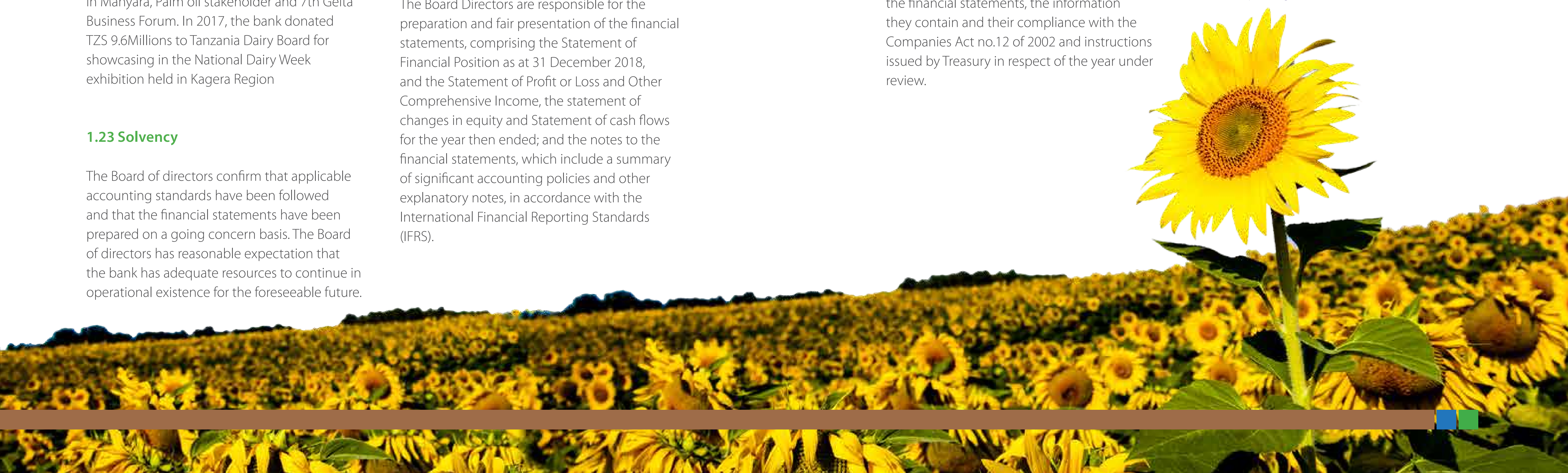
....

Rosebud Violet Kurwijila
CHAIRPERSON

....

Omar Shane Bendera
BOARD MEMBER

Date: ...5/04/2019.........



'Unlocking coffee production for economic development'

"Tanzania has the potential of increasing the country's coffee yield from 50,000 MT to over 200,000MT using the same area under cultivation."

As a strategic cash crop for the national economy, Tanzania has the potential of increasing the country's coffee yield from 50,000 MT to over 200,000MT using the same area under cultivation. The country's ranking as a coffee producer could improve significantly, placing it in the top 10 global producers from the current ranking of 18. Smallholder farmers account for 90% of the coffee production. Historically, timeliness of payments has been an important aspect of value chain competitiveness and it has a direct bearing on the livelihoods of the farmers. Introduced in the 2018/2019 season, the new aggregation marketing model requires all farmers to sell coffee through the cooperative unions in their areas.

The bank provided a revolving facility **TZS 30.7 billion** to enable coffee trading operations through 3 apex farmer cooperative organizations namely: Ngara Farmers Cooperative Society (NFCS), Kagera Cooperative Union (KCU) and Karagwe District Cooperative Union (KDCU) benefiting more than 201,236 famers in the region.

The intervention by the bank has recorded promising results:

i. Doubled conventional coffee collection from the projected 24.9 million kgs to 50.1 million kgs.
ii. Tighter control of illegal coffee trading by traders on the black market.
iii. Better farm gate prices and scheduled payments to farmers.
iv. Improved revenue collection to local government.
v. Increased operational efficiency and financial performance of unions.
vi. Improved coffee quality due to better oversight by unions.
vii. More farmers are motivated to join cooperatives and membership is expected to increase in the 209/2020 season.
viii. Seasonal employment to over 5,000 people.

TADB bank will continue to support coffee trading operations and has approved TZS 40 billion for the 2019/2020 season.

Global coffee consumption trends

Cafes are mushrooming around the world at an astonishing rate overtaking restaurants and fast food chains. Euromonitor International data indicates that specialist coffee shops were the fastest growing major restaurant category in terms of global sales, increasing by 9.1% in 2016 compared to the restaurant industry which grew by 5.7% and global fast food at 5.8%.

With an estimated global consumption of 2 billion cups of coffee per day, the rise of the coffee culture presents opportunities for Tanzania to improve the export quantity and quality of coffee. In 2018, a 'top 30 coffees' connoisseurs list selected coffee from the Lake region in 4th place, demonstrating the exceptional varieties of Arabica cultivated by farmers. Through the Commodity Value Chain (CVC) Approach, the ASDP II prioritizes coffee value chains in strategic focus areas such as value addition and product diversification.

By 2020, it is estimated that an increase in sales will result in new value growth from specialist coffee shops reaching USD 3.7 billion with USD 2.2 billion coming from China alone where retailers such as Starbucks are opening a shop every 15 hours.

5% of Tanzania's export is coffee

Tanzania's coffee export are 79% Arabica 21% Robusta

90% of Tanzania's coffee is produced by smallholders

Excluding Farms 2 Million are employed directly or indirectly by the coffee industry

Generates US$100M annually

Direct income to 400,000 Smallholders

2.0 Departmental Overviews
Key achievements

Director of Credit and Business

Augustino M. Chacha

TZS 151.68bn
approved loan facilities countrywide

700,000
Beneficiaries reached in coffee and cotton

The Credit and Business Department is responsible for entire administrations of the lending activities of the bank. The Department assesses the adequacy of credit documentation, including genuineness of collaterals and conducts regular collateral inspection of merchandise pledged to the bank.

In the year under review, the department solicited and approved loan facilities worth TZS 151.68 billion out of which TZS 84.6 billion was disbursed in 16 regions, financing five subsectors of agricultural produce which comprised 13 value chains. In addition, the department was able to close the year with 31% of the loans disbursed were repaid.

In supporting the government efforts curb the post-harvest loses which accounts for up to 40% of the annual produce, the bank financed construction of one (1) warehouse in Mbarali, Mbeya with size of 2,975 cubic meters. The bank successfully facilitated interventions worth TZS 43 billion in the cotton and coffee value chain where more than 700,000 farmers benefited.

For the year 2019, the bank intends on a attaining a loan book of TZS 120 billion by December 2019. The bank will continue to support the government by financing at least six (6) large-scale irrigation schemes by December 2019 and curbing the post-harvest losses through the installation of at least three (3) strategic modern warehouse facilities. Furthermore, the bank intends to establish and operate farm clinics in the Central Zone, the Western Zone and the Southern Highlands.

Director of Finance, Funding and Resource Mobilisation

USD 25.6 m
new fund management mandates

Derick Lugemala

The Finance Directorate comprises three sub-units namely Finance and Accounts, Funding and Resource Mobilisation, and Dealership and Liquidity Management

The main role and objective of Finance and Accounts is provision of Financial Accounting services to the Bank with main focus of communicating the bank's financial information and performance to various stakeholders which is in compliance with International Financial Reporting Standards and other Regulatory requirements. It is also responsible for accounts payable and reconciliation, tax and regulatory reporting and strategy, budget and performance analysis. In 2018, the banks continued to have a good relationship with all regulators and successfully implemented IFRS 9.

Funds Mobilization and Dealership Division is a front office division of the bank charged with the responsibility of liquidity and balance sheet management, Investments, fund mobilization, trading in foreign exchange, risk and compliance management. During the year 2018, the bank was awarded three new fund management mandates namely SCGS worth $20 million, RIF worth $5 million and AGRA Matching Grant Fund of $0.6 million.

Legal Services and Board Secretary

Neema C. John

The functions of the Legal Services and Board Secretariat Department as a supporting function of the bank include providing legal advice, representing the bank in courts and tribunals, provision of board and management secretariat services, drafting and review of legal documents as well as handling of securities. These are very crucial roles which place the department in the centre of co-ordination of activities of the bank. These activities constitute the targets of the department for the year 2018. While the performance of those targets cannot conveniently be presented empirically, it suffices to say that the department was able to attend to them in accordance with the needs of the bank.

Director of Research Policy and Planning

Dr. Nyankomo W. Marwa

The Research, Policy and Planning Directorate is responsible for conducting research on value chain analysis, economic analysis, product design and development and also market infrastructure. The Directorate coordinates the formulation of the strategic, business and corporate action plan across the bank and ensures that requisite structures, systems and procedures are in place to execute the product development strategy. It also coordinates the development of performance management framework such as key performance indicators and targets in all functional units within the bank.

In the year under review, the operationalisation of the research department began in September 2018. Some of the research that was conducted was on the establishment of smallholder coffee production in Kigoma region, on sisal production in Tanga and Morogoro region and on rapid market assessment of seven strategic crops (cashew, cloves, coffee, cotton, sisal, tea and tobacco). In addition, the directorate initiated collaborations through Memorandum of Understanding (MOUs) with four local research institutions and one international research institution based in India.

The Directorate continues to coordinate planning and budget activities of the bank, to prepare annual action plan and to report on its implementation to the various authorities. One of the Directorate's key objective in 2019 will be to modernize the bank's operations and systems by engaging with a partner institution to review/ reengineer the bank's business processes.

Information & Communication Technology Unit

The ICT unit is responsible for networking, cyber security, projects, central operations and core banking and mobile services. It installs and maintains various hardware and software and ensures all systems are up and running at all times. It periodically upgrades system installations to enhance system performance and integrity.

The unit formulates the ICT strategy and policy which aids to oversee business process and also designs the governance and security framework. Finally, it ensures that all ICT related investments are able to achieve the expected business objectives at optimal costs.

Erick C. Semiono

Human Capital and Administration Unit

The Human Capital and Administration unit main objective is to ensure there is an efficient provision of both personnel and administrative services so that the bank's various divisions are well equipped to meet their targets that collectively meet the bank's goals. The unit is comprised of three sections that deal with different aspects; Human Resource Management, Learning and Development and Administrative Services.

Human Resource Management includes the payroll operations and cluster business partners, the Learning and Development function deals with staff training and development and the Administrative Services ensures there is a provision of general services to the bank. The unit also develops appropriate human resource policies and procedures and oversees their implementation.

Dorice Mwakibete

Internal Audit Unit

Joyce K. Maduhu

The mission of Internal Audit function is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

Internal audit activity's main objective is to provide independent, objective assurance and consulting services designed to add value and improve the bank's operations. The aim of internal audit activity is to help the bank to accomplish its objectives in a systematic, disciplined approach, to evaluate and improve the effectiveness of governance, risk management and control processes.

The function best achieves its duty as a cornerstone of governance by positioning its work in the context of the organisation's own risk management framework.

Risk and Compliance Unit

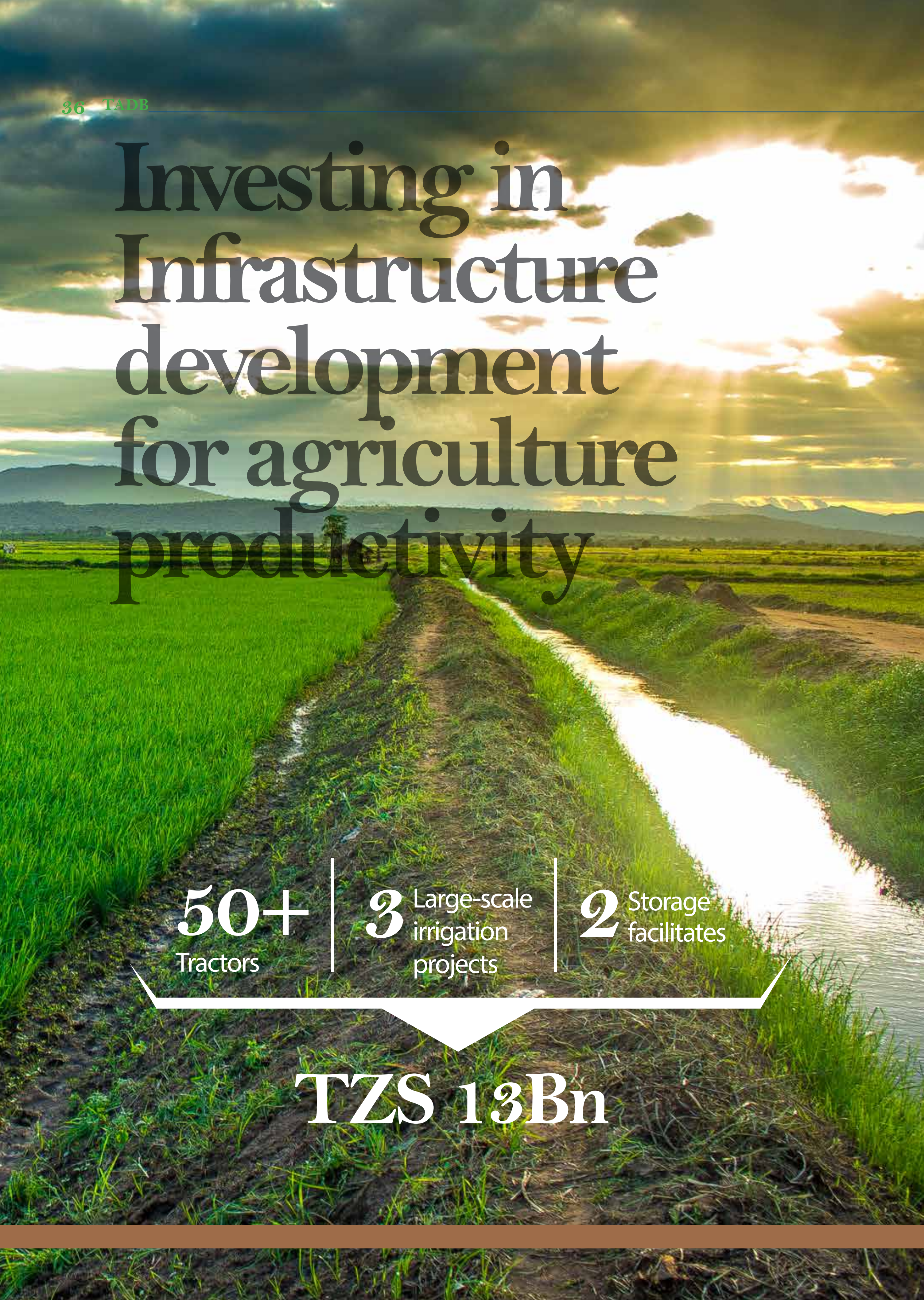
Nelson Aspismas

The Risk and Compliance unit performs a coordinated and centralised risk management function within the bank and ensures there is a high level of compliance to laws, rules and regulations by the bank when conducting its business at all times. The unit develops and ensures the implementation of a sound risk framework for the bank and provides risk management methodology and processes that ensures said processes comply with internationally accepted risk management standards.

The unit also continuously assesses the Management Information System to ensure it remains relevant so as to facilitate effective decision making.

(SCGS) SMALLHOLDERS CREDIT GUARANTEE SCHEME

This product/scheme enables smallholder farmers and smallholder farmers groups to access loan facilities from partner financial institutions. Through the access of financial services, the smallholder farmers will be able to adopt of modern farming methods/techniques, in order to create employment, promote food security and transform their operations from subsistence to commercial farming



Investing in Infrastructure development for agriculture productivity

50+ Tractors

3 Large-scale irrigation projects

2 Storage facilitates

TZS 13Bn

'Transform the agricultural sector (crops, livestock & fisheries) towards higher productivity, commercialization level and smallholder farmer income for improved livelihood, food security and nutrition.' -
Agriculture Sector Development Programme II

The ambition of the ASDP II is to support smallholder farmer transformation from subsistence to commercial producers – infrastructure development that will improve the predictability and the sustainability of production, as well as reduce post-harvest loss are areas.

Out of an estimated 29.4 million hectares available, only 5 percent - 461,000 hectares of the country's cultivated land is irrigated. Investing in irrigation is a favorable way of improving agricultural productivity which allows for market prediction and certainty.

During the year 2018, Mombo Irrigation Cooperative received financing from the bank to improve infrastructure for paddy production which increased yields to six (6) tonnes per hectare from 1.9 tonnes, and 430 members benefitted directly. In the Horticulture value chain, TADB facilitated the installation of an irrigation scheme to support the expansion of avocado farming in the Southern Highlands. Furthermore, the bank financed the construction of a 2,975 cubic meters warehouse in Mbarali, Mbeya in efforts to curb the post-harvest losses which currently constitute 40% annually.

The bank envisions to play a catalytic role to commercialize the agriculture sector, therefore, will continue with its efforts to develop large irrigation projects, viable out-growers projects and nuclear model project countrywide. The bank has identified four large-scale projects in the Simiyu, Kagera, Mara and Dodoma regions – covering over 6,000 hectares

3.0 Declaration of the Director of Finance

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 Head of Finance/Accounting 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 and Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements.

Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Directors Responsibility statement on section 2.17 of the Director's report.

I, Goodchance Haron being the Director of Finance of Tanzania Agricultural Development Bank hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2018 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view and position of Tanzania Agricultural Development Bank as on that date and that they have been prepared based on properly maintained financial records.

Signature: ------------------------------------

Position: Director of Finance

MBAA Registration No.: ACPA(T) 2046

Date: 30th March 2019

4.0 Independent Report of the Controller and Auditor General

Chairperson of the Board of Directors,
Tanzania Agricultural Development Bank
P.O. Box 63372,
Dar es Salaam,
Tanzania

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF TANZANIA AGRICULTURAL DEVELOPMENT BANK (TADB) FOR THE YEAR ENDED 31ST DECEMBER 2018

Introduction

I have audited the accompanying financial statements of the Tanzania Agricultural Development Bank (TADB), which comprise the Statement of financial position as at 31 December 2018 and the Statement of profit or loss and other comprehensive income, the statement of changes in Equity, the cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies set out from page 34 to 72.

Opinion

In my opinion, the accompanying financial statements of the Tanzania Agricultural Development Bank (TADB) are fairly presented in all material respect, the financial position of the Bank as at 31 December 2018, its Statement of profit or loss and other comprehensive income and its cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of my report.
I am independent of Tanzania Agricultural Development Bank (TADB) in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Management is responsible for the other information which comprise of the Director's Report and the Declaration by the Director of Finance but does not include the financial statements and our auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.
In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements for the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined the following key audit matter (s) to communicate in my report.

Key audit matter	How my audit addressed the key audit matter
There is a risk of error in accounting for expected credit losses (ECLs) of the Bank's financial assets. Management's estimate of ECLs involves exercise of significant judgment in relation to probability of default (PD), loss given default (LGD), determining values of collateral valuation. This area is also susceptible to bias; • Credit quality and risk management processes are continuously evaluated by the Bank of Tanzania giving rise to a risk of non-compliance; and • The model developed for the computation of the expected credit losses might not be applied correctly, and or data inputs may not be complete and accurate.	Our response for term loans, staff loans, placements, balances with other banks, other assets and government securities financial assets included: • Assessing and testing the design and operating effectiveness of the controls over credit origination, monitoring including controls changed resulting from application of IFRS 9; • Assessing whether the Bank's credit policies are aligned with IFRS 9; • Evaluating, through our Financial Risk Management (FRM) specialists, the appropriateness of the Bank's IFRS 9 expected credit losses model; • Assessing, through our Information Risk Management (IRM) specialist, the completeness, accuracy and validity of data and inputs used in the computation of ECLs provision; • Using available external and independent information to confirm management's assumptions and judgments in determining ECLs provision. • For default loans (more than 90 days in arrears), evaluating the feasibility of future cash flow forecasts prepared by management, validating the assumptions made, and comparing the estimates to external evidence where available;

Key audit matter	How my audit addressed the key audit matter
	• For a sample of loans and advances, evaluating the regulatory credit risk grade to determine whether regulatory impairment was calculated based on an appropriate grading; • Using our data analysis tools to analyse the loan book data in performing our risk assessment; and • Considering the adequacy of the Bank's disclosures in respect of ECLs provision. We conclude that the risks observed have been materially reduced by the IFRS 9 Model implemented by management reasonably which covers all the requirements of the IFRS 9 standard i.e. assumption and estimates used of ECLs involve the exercise of significant judgment in relation to probability of default (PD), loss given default (LGD), discount rates used to discount collaterals, credit ratings and classification of IFRS 9 financial assets scope.
Interbank Placement Balance with Bank M We noted that TADB has a significant balance with bank M Tanzania Plc. of TZS10,600,000,000 (2017; 12,600,000,000). The placement balance has been classified as non performing investment and credit rated with grade CCC+ in the calculation of impairment provision under IFRS9 Which implies high risk investment. There is risk that the placement balance with the defunct Bank M Tanzania Plc. may not be fully recovered as Bank M was placed under administration by Bank of Tanzania. However the risk has reduced following its assets and liabilities being assumed by Azania Bank Limited through arrangement made by Bank of Tanzania.	We have reviewed the Expected credit loss as per IFRS 9 requirements on the interbank placement balance and satisfied with amount of ECL provided by management. We have requested the Bank balance confirmation from Bank M Tanzania through Azania Bank Plc. We have requested and reviewed the correspondence (s) between BoT and Azania bank over transfer of Bank M assets and liabilities. We requested and received a letter of comfort from Azania Bank which confirms the outstanding amount at Bank M Tanzania Plc., ownership of Bank M and Azania Bank's assumed obligation to repay TADB's outstanding amount in due course. We conclude the risks observed over that Interbank Placement Balance with Bank M Tanzania Plc., have reduced and may be recovered from Azania Bank.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition, Sect. 10 (2) of the Public Audit Act No.11 of 2008 require me to satisfy myself that, the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Sect. 48(3) of the Public Procurement Act No.7 of 2011 requires me to state in my audit report whether or not the audited entity has complied with the provisions of the Law and its Regulations.

Report on Other Legal and Regulatory Requirements

Compliance with the Public Procurement (Amendment) Act, 2016

In view of my responsibility on the procurement legislation and taking into consideration the procurement transactions and processes I have reviewed as part of this audit, I state that, Tanzania Agricultural Development Bank (TADB) procurement transactions and processes have generally complied with the requirements of the Public Procurement Act (Amendment) Act of 2016 and its underlying Regulations (Amendment) of 2016

The engagement partner on the audit resulting in this independent auditor's report is the Controller and Auditor General.

CONTROLLER AND AUDITOR GENERAL

Prof. Mussa Juma Assad,
Controller and Auditor General
National Audit Office of Tanzania,

Date: 15th April 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 TZS	2017 TZS
Interest Income	5	13,864,066,009	12,297,759,047
Interest Expense	23	(1,437,897,454)	(753,421,305)
Net Interest Income		**12,426,168,554**	**11,544,337,742**
Impairment on Loans and Advances	7	(498,650,201)	(25,884,905)
		11,927,518,354	11,518,452,837
Non-Interest Income			
Foreign Exchange Profit/(Loss)		580,908,104	-
Revenue Grants	14	797,879,370	1,010,501,179
Fees & Commission	6	1,022,841,193	52,807,434
Other Operating Income		11,168,085	-
		2,412,796,751	**1,063,308,613**
Non-Interest Expense			
Salary and Benefits	8	6,707,720,609	5,616,976,888
Other Operating Expenses	9	5,180,278,911	4,051,255,475
		11,887,999,520	**9,668,232,363**
Operating Income before Tax		**2,452,315,585**	**2,913,529,087**
Income Tax Expense	10	(521,900,356)	(120,379,555)
Operating Income after Tax		**1,930,415,229**	**2,793,149,532**

The Financial statements and notes on pages 34 to 72 were approved by the Board of Directors on ______________________ 2019 and signed on its behalf by:

Rosebud Violet Kurwijila
CHAIRPERSON

Japhet Justine
MANAGING DIRECTOR

DATE 5/04/2019

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018 TZS	2017 TZS
ASSETS			
Cash and Bank	13	50,046,283,870	15,808,060,169
Loans and advances to Banks	15	70,014,381,596	136,000,000,000
Financial Investments	14	3,823,768,386	-
Loans and advances to customers	16	270,344,720,966	11,454,938,434
Property, plant and equipment	11	3,554,157,000	3,303,348,457
Intangible Assets	12	1,477,111	7,531,408
Other Assets	17	520,695,270	5,651,476,118
Deferred Tax	18	497,922,285	233,178,882
Tax recoverable		-	99,847,308
TOTAL ASSETS		**398,803,406,484**	**172,558,380,776**
EQUITY & LIABILITIES			
EQUITY			
Paid up Share capital		-	-
Advance Toward Share Capital		60,000,000,000	60,000,000,000
Retained Earnings		3,346,315,462	2,129,009,992
Profit/(Loss) Account		1,930,415,229	2,793,149,532
Capital Grants	19	1,817,574,076	2,615,453,445
		67,094,304,767	**67,537,612,970**
LIABILITIES			
Accrued Taxes and Expenses payable	20	1,697,349,935	1,247,448,416
Long term borrowing	23	103,978,018,782	103,773,319,391
Special Deposits	22	226,033,733,000	-
Total Liabilities		**331,709,101,717**	**105,020,767,806**
TOTAL EQUITY AND LIABILITIES		**398,803,406,484**	**172,558,380,776**

The Financial statements and notes on pages 34 to 72 were approved by the Board of Directors on 5/04/2019 2019 and signed on its behalf by:

RKurwijila

Rosebud Violet Kurwijila
CHAIRPERSON

Japhet Justine
MANAGING DIRECTOR

DATE 5/04/2019

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMMBER 2018

	Advance Toward Share Capital TZS	Retained Earnings TZS	Total Equity TZS
Balance at 1 January 2017	**60,000,000,000**	**2,129,009,993**	**62,129,009,993**
Profit for the year	-	2,793,149,532	2,793,149,532
Balance at 31 December 2017	**60,000,000,000**	**4,922,159,525**	**64,922,159,525**
Balance at 1 January 2018	**60,000,000,000**	**4,922,159,525**	**64,922,159,525**
IFRS 9 and deferred tax adjustment		(1,575,844,062)	(1,575,844,062)
Profit for the year		1,930,415,229	1,930,415,229
At 31 December 2018	**60,000,000,000**	**5,276,730,691**	**65,276,730,691**

The Financial statements and notes on pages 34 to 72 were approved by the Board of Directors on ………………………………………………………. 2019 and signed on its behalf by:

RKurwijila

Rosebud Violet Kurwijila
CHAIRPERSON

Japhet Justine
MANAGING DIRECTOR

DATE 5/04/2019

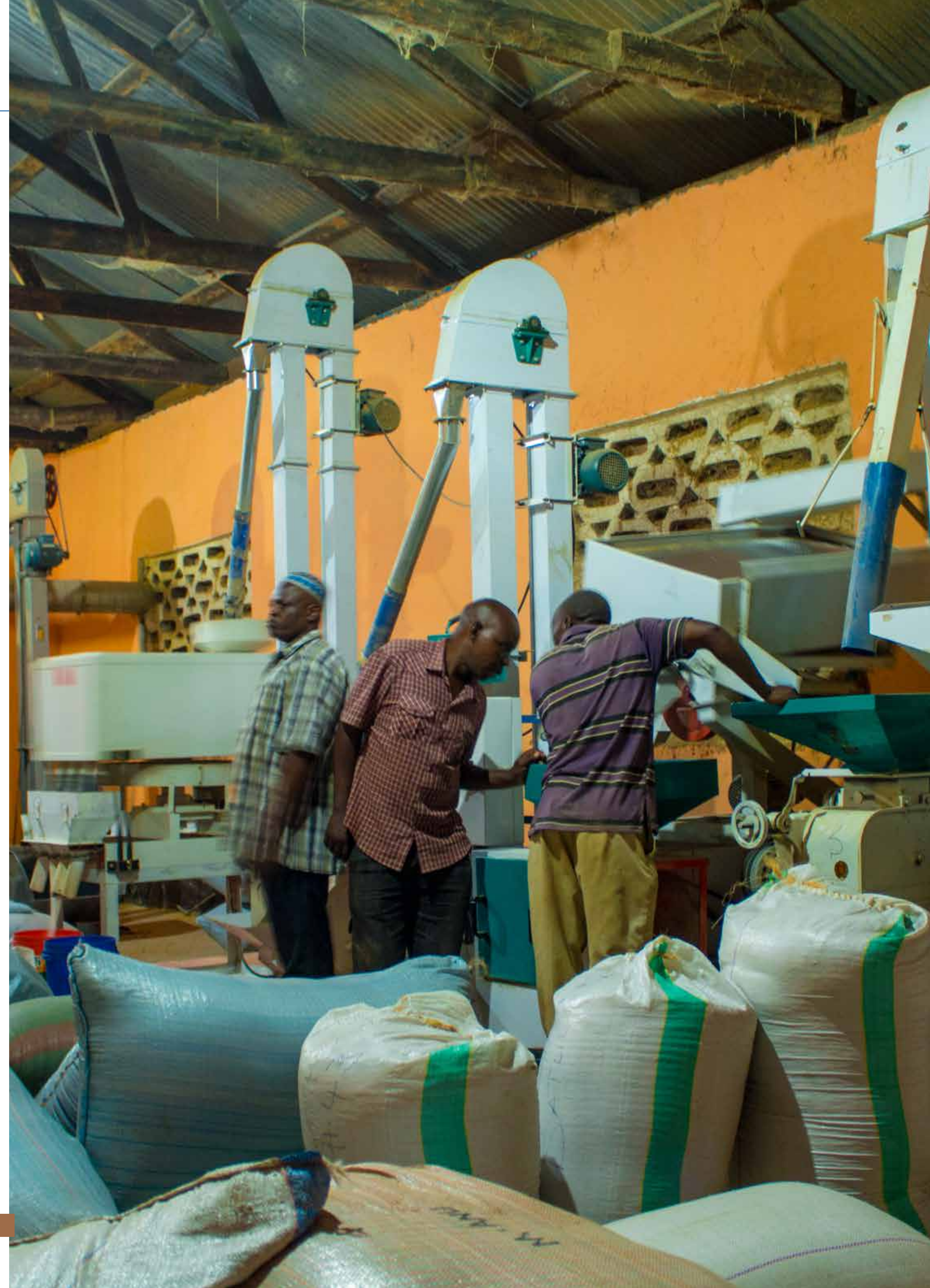
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2018

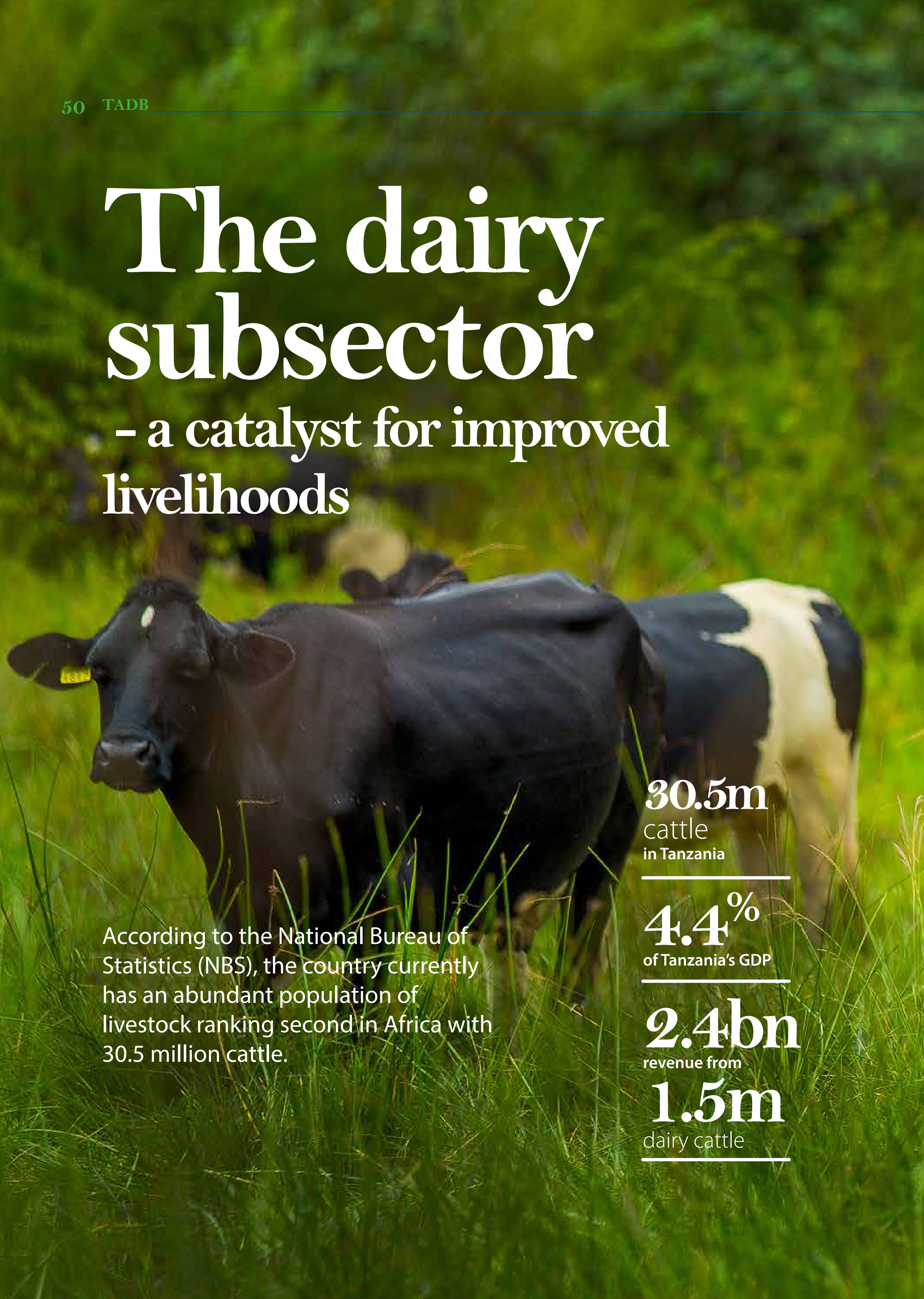
	2018 TZS	2017 TZS
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before taxation Adjustments for:-	2,452,315,585	2,913,529,087
Depreciation and amortization	1,081,903,901	391,731,165
Capital Grant amortised	(797,879,370)	(1,010,501,179)
Foreign currency exchange (gain)	(580,908,104)	-
Impairment on loans and advances	525,950,682	-
Operating cash flow before working capital changes	**2,681,382,695**	**2,294,759,073**
Increase in Loans and Advances	(257,753,136,369)	(7,625,799,876)
Increase in Other Assets	4,978,691,484	(2,357,021,922)
(Increase/(Decrease) in Accrued Expenses	67,299,853	(109,194,523)
Net Cash used in operating activities	**(258,025,259,498)**	**(10,480,855,307)**
Taxation paid	(217,120,000)	(388,838,987)
Net Cash from operating activities	**(250,242,882,337)**	**(8,574,935,221)**
CASH FLOW FROM INVESTNG ACTIVITIES:		
Purchase of property and equipment	(1,326,658,146)	(730,281,631)
Net cash used in investing activities	**(1,326,658,146)**	**(730,281,631)**
CASH FLOW FROM FINANCING ACTIVITIES:		
Long term borrowing	-	103,773,319,391
Grants received		902,985,927
Special Deposit	226,033,733,000	
Interest paid on borrowings	(1,294,927,656)	
Net cash flows from financing activities	**224,738,805,344**	**104,676,305,318**
Net change in cash and cash equivalents	**(26,830,735,139)**	**95,759,927,453**
Cash and cash equivalents at beginning of the year	151,808,060,169	56,048,132,716
Cash and cash equivalents at end of the year	**124,977,325,030**	**151,808,060,169**

The Financial statements and notes on pages 34 to 72 were approved by the Board of Directors on 5/04/2019 and signed on its behalf by:

Rosebud Violet Kurwijila
CHAIRPERSON

Japhet Justine
MANAGING DIRECTOR





The dairy subsector

- a catalyst for improved livelihoods

According to the National Bureau of Statistics (NBS), the country currently has an abundant population of livestock ranking second in Africa with 30.5 million cattle.

30.5m
cattle
in Tanzania

4.4%
of Tanzania's GDP

2.4bn
revenue from
1.5m
dairy cattle

The livestock industry contributes 4.4% of the country's GDP with the dairy sub-sector contributing 30% - through targeted interventions, the contribution can double. Studies indicate that a combination of public and private investment of nearly USD 101 million in the areas of feed, genetics, value addition and a favorable policy and regulatory framework would increase milk production by nearly 80% leading to an estimated 1 million litre surplus. Current annual production stands at 2.4 billion litres from 1.5 million dairy cattle. This is disproportionate to the number of cattle available for milk production.

Dairy is, therefore, an important component of the livestock sector with a great potential to improve the nutritional and economic standard of living through cow milk production and value-added products such as cheese and yoghurt. The growing population presents an opportunity to increase per capita consumption from the current 47 litres per annum to the 200 litres recommended by FAO.

Located in Iringa region of the Southern Highlands, Ilandutwa dairy farm sits on 520 acres, with 350 cattle, producing 300 litres of milk daily. During the year under review, the farm received TZS 850 million support from the bank for the purchase of 200 heifers, construction of a water dam and installation of an irrigation system for supply of water for pastures and animals. The investment will also be used to establish a biogas system for energy production and acquisition of milk chillers. One of the company directors, Mr. Felix Mpiluka, anticipates that the financing from the bank will improve the dairy farm management; 'in 2019, we intend to have a daily production capacity of 2000 litres,' he said.

1. GENERAL INFORMATION

Tanzania Agricultural Development Bank Limited (TADB) is a state-owned Development Finance Institution (DFI) established under the Companies Act no. 2 of 2002 and given Certificate of Incorporation no. 94075 on 26 September 2011. The Bank is regulated by the Bank of Tanzania. The Bank's registered office is at

4th Floor, Acacia Estate Building,
84 Kinondoni Road
Dar es Salaam, Tanzania

The Bank's key role is the provision of short, medium and long- term credit facilities for development of agriculture in Tanzania.

2. BASIS OF PREPARATION

2.1 Statement of compliance

Financial statement has been prepared basing on International Financial Reporting Standard (IFRSs).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except where otherwise explained in the accounting policies in Note 3. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2.3 Functional and presentation currency

The financial statements are presented in Tanzania Shillings (TZS) which is the functional currency of the Bank.

2.4 Use of estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

The estimates and underlying assumptions are based on historical experience and various other factors, including making assumptions concerning future events that are believed to be reasonable under the circumstances. Actual results may differ from these accounting estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are accounted for prospectively.

In the process of applying the accounting policies as set out below, management has made the following judgements that might have a significant risk of causing material adjustment to the amounts recognised in the financial statements:

a) Useful lives and residual values of property and equipment.

The useful lives and residual values of property and equipment are reviewed at each year-end. The useful lives, which are estimated by management, are based on historic analysis and other available information. The residual values are estimated based on useful lives as well as other available information.

b) Provisions and contingent liabilities

Various estimates and assumptions have been applied by management in arriving at the carrying value of provisions that are recognised in terms of the relevant accounting policy.

Management further relies on input from the Bank's legal advisors in assessing the probability of items of a contingent nature.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Interest income and expenses

The Bank recognizes interest income and expenses for financial instruments measured at amortised cost and interest bearing financial instruments measured at fair value through other comprehensive income using the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses

IFRS 9 requires that interest income for financial assets classified as Stage 3 be calculated on the net carrying amount (after deducting credit impairments), which will result in a portion of contractual interest being suspended. IFRS 9 requires that this suspended contractual interest be presented as part of the financial assets' gross carrying amount.

3.2 Fees and commissions

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate. Other fees and commission income including processing fees, funds administration fees, tender documents fees, investment management fees are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

3.3 Taxation

Current and Deferred Income Tax
The tax expense for the period comprises current and deferred tax. Tax is recognized in the profit or loss, except to that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet 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 recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable: and
- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the TRA is included as part of the receivables or payables in the statement of financial position.

3.4 Financial assets and financial liabilities

FRS 9 - accounting policies for financial instruments

Financial Asset

Under IFRS 9, financial assets are classified on the following categories

- Amortised cost
- Fair value through other comprehensive income - OCI
- Held for trading
- Designated at fair value through profit or loss
- Fair value through profit or loss – default

Amortised cost

A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):

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

This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimise and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default.

Most of the financial assets of the bank including loans and advances to customer and banks, balances with other banks, financial investments and account receivables are measured at amortised cost.

Initial Recognition of financials assets

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the Bank commits to purchase (sell) the instruments (trade date accounting).

Subsequent measurement of financials Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.

Impairment of financial assets

ECL is recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate.

The measurement basis of the ECL of a financial asset includes assessing whether there has been a significant increase in credit risk (SICR) at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.
Stage 2	A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
Stage 3 (credit impaired assets)	A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The criteria considered to determining whether the financial asset impaired are default, significant financial difficulty of borrower and/or modification, probability of bankruptcy or financial reorganization and disappearance of an active market due to financial difficulties.

The key methodologies of the impairment methodology are described as follows:

Significant increase in credit risk	At each reporting date, the bank assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 60 days for agricultural loans and 30days for staff loans is considered to have increased significantly.
Low credit risk	Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.

Default	The bank's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets: • Significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower) • A breach of contract, such as default or delinquency in interest and/or principal payments. • Disappearance of active market due to financial difficulties. • It becomes probable that the borrower will enter bankruptcy or other financial reorganization. • Where the bank, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the bank would not otherwise consider. Exposures which are overdue for more than 180 days for agricultural loans and 90 days for staff loans are considered to be in default. This is basing on the bank's risk management framework and DFI regulations.
Forward-looking information	Forward-looking information is incorporated into the bank's impairment methodology calculations and in the bank's assessment of SICR. The bank includes all forward looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
Write-off	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

Exposure at default was determined by considering the account stage, the amount of instalments due and the contractual instalment that was required by the calculated amortization schedule. Both principal and interest amount has been considered for Exposure at Default.

Expected loss on loans to banks, financial investments and significant loans to government institutions have been calculated by considering the current rating of the counterparties, current counterparty's key performance ratios, and then considering the credit rating default spread (PD and LGD) from S&P and Moody's as well as the exposure of the underlying asset.

For financial assets measured at amortised cost (including loan commitments), ECLs are recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities.

Reclassification

Reclassifications of debt financial assets are permitted when, and only when, the bank changes its business model of managing financial assets, in which case all affected financial assets are reclassified.

Financial assets that are reclassified from amortised cost to fair value are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in other gains and losses on financial instruments

Financial liabilities

Financial liabilities can either be classifies as Held for trading, Designated at fair value through profit and loss and Amortised cost. All financial liabilities of the bank are measured at amortised cost

Financial liabilities are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss.

Subsequently, financial liabilities classified as amortised cost are measured at amortised cost using the effective interest method recognised in interest expense

Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the bank has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the bank is recognised as a separate asset or liability.
In transfers where control over the asset is retained, the bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Modification of financial assets and liabilities

Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes.

If the terms are not substantially different for financial assets or financial liabilities, the bank recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non-interest revenue (for all other modifications).

3.5 Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use and borrowing costs on qualifying assets.

Subsequent costs

The cost of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Institute, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. If the residual value is less than the carrying amount, then the carrying amount should be depreciated over the revised remaining life of the asset on a straight-line basis as follows:

S/N	Category	Expected useful life (in years)	Depreciation/ amortization rate (per annum)
1	Lease hold premises improvement	8	12.5
2	Buildings	50	2
3	Furniture and Fittings	8	12.5
4	Motor Vehicles	4	25
5	IT hard ware and software	4	25
6	Office equipment	8	12.5
7	Intangible assets	4	25

Derecognition

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss within "other operating income" in the reporting period that the asset is derecognized.

3.6 Intangible Assets

IAS38 applies for accounting of intangible assets. Intangible assets include brands, customer lists, internally generated software, licenses and other contracts and core deposit intangibles. They are initially recognized when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use.

The intangible asset is carried at cost less accumulated amortization over the estimated useful life of the asset.

3.7 Cash and Cash Equivalents

Cash and cash equivalents are short term highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value. Cash and cash equivalents are carried in the Statement of Financial Position at face value.

3.8 Borrowings and customer deposits

Borrowings are recognised initially at fair value, generally being their issue proceeds, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and interest is recognised over the period of the borrowing using the effective interest method.

3.9 Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

3.10 Provision for leave pay

Employees of the Bank are entitled to statutory leave of 22 days per year. The Bank accounts for as short-term employee benefits, any leave accrued and not taken within 12 months period to the extent of another 12 months until it lapses. The Bank recognises such a benefit as a liability as well as an expense in the profit or loss. The expense is recognised as part of staff costs in the profit or loss.

Leave pay provision is computed by taking the number of leave days outstanding at the reporting date and multiplied to the probability of leave days to be taken and leave days to be paid in the next 12 months and the results multiplied to each employee's current daily pay.

3.11 Grants

Grants from Government and related Institutions are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognized as deferred income and released as income in equal instalments over the expected useful life of the related asset.

3.12 Translation of Foreign Currencies

The financial statements are presented in Tanzanian Shillings, which is the bank's functional and presentation currency. All foreign currency transactions are translated 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 during the year and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end are recognized in profit or loss.

3.13 Related Party Transactions

Unless otherwise disclosed, all transactions with related parties are on an arm's length basis at market related prices. Since TABD is a state-controlled Corporation, it also has a related party relationship with all other state-controlled Corporations.

Transactions with Key Management Personnel Key management personnel compensations are included under staff costs. None of the key management personnel had or has any significant influence with any entity with whom the Bank has had significant transactions with.

3.14 Comparatives

Where necessary, comparative previous year's figures have been re-arranged/adjusted to conform to changes in presentation in the current year.

3.15 New standards and interpretations

The accounting policies are consistent with those reported in the previous year except as required in terms of the adoption of the following:

Adoption of new and amended standards effective for the current financial year

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers (IFRS 15) with effect from 1 January 2018, replaces the existing revenue standards and the related interpretations. The standard sets out the requirements for recognising revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments). The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer.

The standard incorporates a five step analysis to determine the amount and timing of revenue recognition. The bank adopted IFRS 15 on 1 January 2018 and, as permitted by IFRS 15, did not restate its comparative financial results. The standard does not apply to revenue associated with financial instruments, and therefore does not impact the majority of the bank's revenue.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

Foreign Currency Transactions and Advance Consideration (IFRIC 22) provides guidance on how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

The above mentioned standards and interpretation to the IFRS standards, adopted on 1 January 2018, did not affect the bank's previously reported financial results and disclosures, and did not impact the bank's results upon transition.

IFRS 9 Financial Instruments

IFRS 9 with effect from 1 January 2018, replaced IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 introduced new requirements which included an expected credit loss (ECL) impairment model and new requirements for the classification and measurement of financial assets.

IFRS 9, adopted on 1 January 2018, impacted the bank's results upon transition. The impact to the bank's reserves on transition to IFRS 9 materially relates to IFRS 9's ECL impairment requirements. IFRS 9's classification and measurement requirements resulted in an immaterial impact to the bank on transition. Refer to the IFRS 9 transition disclosure (table 1) for more detail.

IFRS 9 – transition

With effect from 1 January 2018, IFRS 9 replaced IAS 39. IFRS 9 introduced new requirements which included an ECL impairment model and new requirements for the classification and measurement of financial assets as follows:

(i) ECL impairment requirements

IFRS 9's ECL impairment model's requirements represented the most material IFRS 9 transition impact for the bank. Debt financial assets measured at fair value through OCI, loan commitments when there is a present commitment to extend credit (unless these are measured at fair value through profit or loss (FVTPL)) and guarantees.

ECL is, at a minimum, required to be measured through a loss allowance at an amount equal to the 12-month ECL. However, where the lifetime is less than 12 months, lifetime ECL will be measured for the financial asset.

A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.

Also, IFRS 9 requires an adjustment for forward looking economic expectations in the determination of SICR and in the measurement of the ECL.

(ii) Classification and measurement

IFRS 9 requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The accounting for financial assets differs in various other areas to the IAS 39 requirements such as embedded derivatives and the recognition of fair value adjustments in OCI. All changes in the fair value of financial liabilities that are designated at FVTPL due to changes in own credit risk are required to be recognised within OCI.

Adoption of IFRS 9

The bank retrospectively adopted IFRS 9 on 1 January 2018 with an adjustment to the bank's opening 1 January 2018 reserves and, as permitted by IFRS 9, did not restate its comparative financial results.

Accordingly, the bank's previously reported financial results up to 31 December 2017 are presented in accordance with the requirements of IAS 39 and for 2018, and future reporting periods, are presented in terms of IFRS 9.

Table 1: Impact on the bank's extracted statement of financial position on 1 January 2018 (IFRS 9 transition impact)

	IAS 39 31/12/2017	IFRS 9 ECL	Classification & Measurement	Total adjustments	01-Jan-18 (After adjustments)
ASSETS					
Cash and Bank	16,508,060,169	(19,914,848)	-	(19,914,848)	16,488,145,322
Loans to Banks	135,300,000,000	(1,235,519,263)	-	(1,235,519,263)	134,064,480,737
Loans to customers	11,454,938,434	(308,224,504)	-	(308,224,504)	11,146,713,929
PPE	3,303,348,457	-	-	-	3,303,348,457
Intangible Assets	7,531,408	-	-	-	7,531,408
Other Assets	5,651,476,118	(99,259,704)	-	(99,259,704)	5,552,216,414
Deferred Tax*	233,178,882	498,875,496	-	498,875,496	732,054,378
Tax recoverable	99,847,308	-	-	-	99,847,308
TOTAL ASSETS	**172,558,380,776**	**(1,164,042,823)**	**-**	**(1,164,042,823)**	**171,394,337,953**
EQUITY					
Advance Toward Share Capital	60,000,000,000	-	-	-	60,000,000,000
Retained Earnings	4,922,159,525	(1,164,042,823)	-	(1,164,042,823)	3,758,116,701
Capital Grants	2,615,453,445	-	-	-	2,615,453,445
	67,537,612,970	**(1,164,042,823)**	**-**	**(1,164,042,823)**	**66,373,570,146**
LIABILITIES					
Payables	1,247,448,416	-	-	-	1,247,448,416
Long term borrowing	103,773,319,391	-	-	-	103,773,319,391
Total liabilities	105,020,767,807	-	-	-	105,020,767,807
EQUITY AND LIABILITIES	**172,558,380,776**	**(1,164,042,823)**	**-**	**(1,164,042,823)**	**171,394,337,953**

* Relates to the recognition of additional deferred tax assets following the recognition of the IFRS 9 ECL transition adjustment

Table 2: Impact on financial instrument classification (excluding impact of IFRS 9 ECL)

	IAS 39 Measurement	IFRS 9 Measurement	Carrying amount 31 Dec 2017
ASSETS			
Cash and Bank	Amortised cost (Loans and receivables)	FVTPL-default & amortized cost	16,508,060,169
Loans to Banks	Amortised cost (Loans and receivables)	Amortised cost	135,300,000,000
Financial Investments	Held to maturity	Amortised cost	-
Loans to customers	Amortised cost (Loans and receivables)	Amortised cost	11,454,938,434
Other Assets	Amortised cost (Loans and receivables)	Amortised cost	5,751,323,426
			169,014,322,029
LIABILITIES			
Payables	Amortised cost	Amortised cost	1,247,448,416
Long term borrowing	Amortised cost	Amortised cost	103,773,319,391
			105,020,767,807

Cash and balances with central banks was in terms of IAS 39 classified as loans and receivables. Coins and bank notes and the reserving requirements held with the central bank have been classified as at fair value through profit or loss - default as the contractual terms do not give rise on specified dates to cash flows that represent solely payments of principal and interest on the principal amount outstanding.

The Bank applied IFRS 9's classification and measurement requirements based on the facts and circumstances at 1 January 2018 in determining the transition adjustment. As at 1 January 2018, the Bank determined the classification of financial assets on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. An assessment of the instrument's contractual terms was performed to determine whether the terms give rise on specified dates to cash flows that are solely payments of principal and interest of the principal amount outstanding (referred to as SPPI) and whether there is an accounting mismatch.

New standards and amended standards issued but not yet effective

The following new or revised standards, amendments and interpretations are not yet effective for the year ended 31 December 2018 and have not been applied in preparing these annual financial statements. The following new or revised standards, amendments and interpretations are not yet effective for the year ended 31 December 2018 and have not been applied in preparing these annual financial statements.

IFRS 16 Leases

This standard will replace the IAS 17 Leases as well as the related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, being the lessee (customer) and the lessor (supplier).

The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet. The most significant change pertaining to the accounting treatment for operating leases is from the lessees' perspective.

IFRS 16 eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and introduces a single lessee accounting model, where a right of use (ROU) asset together with a liability for the future payments is to be recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The lessor accounting requirements in IAS 17 have not changed substantially in terms of this standard. A lessor hence continues to classify its leases as operating leases or finance leases and accounts for these as it currently done in terms of IAS 17. In addition, the standard requires lessors to provide enhanced disclosures about its leasing activities and, in particular, about its exposure to residual value risk and how it is managed.

IAS 1 Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors

(amendments)

Effective date: 1 January 2020 with earlier application permitted

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved.

The amendments ensure that the definition of material is consistent across all IFRS Standards. The amendments will be applied prospectively. The amendment is not expected to have a significant impact on the annual financial statements.

IAS 19 Employee Benefits (amendments)

Effective date: 1 January 2019 with earlier application permitted

The amendments require a company to use the updated assumptions when a change to a plan either an amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial Statements. The amendment will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

Title: IFRIC 23 Uncertainty over Income Tax Treatments

Effective date: 1 January 2019 with earlier application permitted

This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this interpretation. This interpretation addresses: whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The IFRIC will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

4. FINANCIAL RISK MANAGEMENT

Taking risk is core to the banking business, and the operational risks are inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. Risk management is coordinated by the Credit Management Committee under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and liquidity risk. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important risks are credit risk, liquidity risk and market risk.

4.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that the counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank`s business. Management therefore, carefully manages its exposure to the credit risk. Credit exposures arise principally in lending activities that led to loans and advances, and investment activities that bring debt securities and other bills into the Bank`s asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loans commitments. The credit risk management and control are centralized in the credit risk management team of the Bank and reported to the Board of Directors and heads of department regularly.

4.1.1 Management of credit risk

The board of directors has delegated responsibility for the oversight of credit risk to its Board Business Committee (BBC) (refer to corporate governance (Note 2.6) of the report of the directors). The directorate of credit and portfolio management, reporting to the Board Business Committee, is responsible for managing the Bank's credit risk, including formulating credit policies in consultation with business units, establishing the authorization structure for the approval and renewal of credit facilities, reviewing and assessing credit risk, limiting concentrations of exposure to counterparties, geographies and industries, reviewing compliance of business units with agreed exposure limits and Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

4.1.2 Credit risk measures

In measuring credit risk of loans and advances to customers and banks at a counterparty level, the Bank reflects three components: (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derive the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

These credit risk measurements, which reflect expected loss (the 'expected loss model'), required by Basel Committee on Banking Regulations and the supervisors Banks (the Basel Committee) and are embedded in the Bank's daily operational management. The operational measurements can be contrasted with impairment allowances required under IFRS 9, which are based on 12-month ECL (Expected credit losses to occur in the next 12 months) and LECL (Lifetime Expected credit losses to occur over the remaining lifetime of the credit facility) Exposure at default is based on the amounts the Bank expects to be owed at the time of default.

For example, for a loan this is the face value. For a commitment, the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to various categories of counterparty in line with the Bank of Tanzania guidelines. For regulatory purposes and for internal monitoring of the quality of the loan portfolio, all customers are segmented into five rating classes as shown below:

Development Finance loans

Classification	Past due (Days)	Staging
Current	0 - 60	Stage 1
Especially mentioned	61 – 180	Stage 2
Substandard	181-365	Stage 3
Doubtful	366-540	Stage 3
Loss/bad	>540	Stage 3

4.1.3 Risk limit control and mitigation policies

Lending limits

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

The exposure to any one borrower including banks is further restricted by sub-limits covering on and off balance sheet exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

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 risks as loans. Documentary and commercial letters of credit - which are written undertakings by the Bank up to a stipulated amount under specific terms and conditions are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorization to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter-term commitments.

Collateral

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

- Mortgages over residential properties;
- Charges over business assets such as premises
- inventory and accounts receivable;

All loans and advances to customer are secured.

	Stage 1	Stage 2	Stage 3	Total
2018				
Term Loans to Customers	264,101,389,516	4,282,692,746	885,739,324	269,269,821,586
Staff loans	2,020,593,656	-	86,063,462	2,106,657,118
Loan to banks	57,600,000,000	-	10,600,000,000	68,200,000,000
Other assets in scope	2,643,562,361	-	857,429,305	3,500,991,666
Government Securities	3,754,000,000	-	-	3,754,000,000
Bank balances in scope	48,820,596,204	-	-	48,820,596,204
	378,940,141,737	**4,282,692,746**	**12,429,232,091**	**395,652,066,573**
2017				
Term Loans to Customers	8,366,935,826	526,532,454	983,409,371	9,876,877,651
Staff loans	1,586,174,258		-	1,586,174,258
Loan to banks	123,400,000,000		12,600,000,000	136,000,000,000
Other assets in scope	4,826,553,877		534,774,964	5,361,328,841
Government Securities	-			-
Bank balances in scope	15,633,294,757			15,633,294,757
	153,812,958,718	**526,532,454**	**14,118,184,335**	**168,457,675,507**

Below is the summary of provisions per category

	Stage 1	Stage 2	Stage 3	Total
2018				
Term Loans to Customers	319,104,154	417,782,906	177,147,865	914,034,925
Staff loans	69,822		86,063,462	86,133,284
Loan to banks	79,173,400		1,072,995,734	1,152,169,134
Other assets in scope	65,295,215		86,794,150	152,089,364
Government Securities	12,632,713			12,632,713
Bank balances in scope	10,490,429			10,490,429
	486,765,732	**417,782,906**	**1,423,001,211**	**2,327,549,849**

4.2 Market risk

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

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

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

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

4.3 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 value of a financial instrument will fluctuate because of changes in market interest rates.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Bank's Asset and Liability Committee (ALCO) sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly by the Bank.

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorized by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items.

Liquidity risk analysis

Contractual Maturity of undiscounted cash Flows of Financial Assets and Liabilities

	1 – 3 Months TZS	4 – 6 Months TZS	7 – 12 months TZS	Above 1 year TZS	Non-interest Bearing TZS	Total
31 December 2018						
FINANCIAL ASSETS						
Cash and balances with Banks in Tanzania	41,061596,940	-	-		8,984,686,930	50,046,283,871
Financial Investments	3,823,768,386	-	-	-	-	3,823,768,386
Loan to banks	43,398,632,877		15,000,000,000	11,615,748,719	-	70,014,381,596
Loans to Customers	114,552,132	4,922,624,197	146,792,466,647	118,515,077,990	-	270,344,720,966
TOTAL	**88,398,550,335**	**4,922,624,197**	**161,792,466,647**	**130,130,826,709**	**8,984,686,930**	**394,229,154,818**
FINANCIAL LIABILITES						
Long term Borrowing	-	204,699,390	-	103,773,319,391	-	103,978,018,782
Other liabilities	1,038,559,215	-	-	658,790,720	-	1,697,349,935
Special deposits		-	226,033,733,000		-	226,033,733,000
Maturity gap as at 31 December, 2018	87,359,991,119	4,717,924,806	(64,241,266,353)	25,698,716,598	8,984,686,930	62,520,053,101

Liquidity risk analysis

Contractual Maturity of undiscounted cash Flows of Financial Assets and Liabilities

	1 – 3 Months TZS	4 – 6 Months TZS	7 – 12 months TZS	Above 1 year TZS	Non-interest Bearing TZS	Total
31 December 2017						
FINANCIAL ASSETS						
Cash balances with Banks	11,994,390,072	-		-	3,813,670,097	15,808,060,169
Loans to banks	91,700,000,000	44,300,000,000		-	-	136,000,000,000
Loans to Customers	142,595,388	1,687,514,889	9,197,041,991	427,786,165	-	11,454,938,434
TOTAL	103,836,985,460	45,987,514,889	9,197,041,991	427,786,165	3,813,670,097	163,262,998,603
FINANCIAL LIABILITES						
Long term Borrowing				103,773,319,391		103,773,319,391
Other liabilities	1,247,448,416	-	-		-	1,247,448,416
Total liabilities	**1,247,448,416**	**-**	**-**	**103,773,319,391**	**-**	**105,020,767,807**
Maturity gap as at 31 December, 2017	102,589,537,045	45,987,514,889	9,197,041,991	(103,345,533,226)	3,813,670,097	58,242,230,796

Fair value of financial assets and liabilities

Financial instruments not measured at fair value

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at their fair values:

Classification	Carrying Amount TZS	Fair Value TZS
At 31 December 2018		
Financial assets		
Cash and balances with Bank of Tanzania	8,920,721,571	8,920,721,571
Balances with other banks	112,302,603,459	109,336,052,728
Loans and advances to customers	267,145,206,147	266,129,046,912
Other assets	12,798,059,610	15,988,464,495
	401,166,590,787	**400,374,285,706**
Liabilities		
Other liabilities	332,240,995,924	331,974,940,133
Net Financial Asset	**68,925,594,863**	**68,399,345,573**
At 31 December 2017		
Financial assets		
Cash and balances with Bank of Tanzania	3,610,093,509	3,610,093,509
Balances with other banks	148,197,966,660	148,197,966,660
Loans and advances to customers	9,880,737,685	9,800,801,635
Other assets	7,638,639,106	7,160,862,661
	169,327,436,960	**168,769,724,466**
Liabilities		
Other liabilities	105,020,767,807	105,020,767,807
Net Financial Asset	**64,306,669,154**	**63,748,956,660**

Most of the financial assets and liabilities are short term in nature and those which are long term bear interest at prevailing market rate, therefore the carrying amounts approximate fair value.

Balances with other banks -The balance includes inter-bank placements, balances with other banks and items in the course of collection.

Loans and advances to customers - The balance is net of impairment charges and includes all products offered by the bank such as group loans, salaried workers loan, and loans to individual farmers.

4.4 Liquidity risk

Liquidity risk is a risk that arises when the bank is unable to settle its maturing obligations due to scarcity of liquid assets. The Bank manages the liquidity structure of assets, liabilities and commitments through various meetings held like ALCO Meetings where the liquidity status of the bank is discussed and strategies planned to rescue the risk from happening. If this risk is not well managed the bank will be put at a risk of ceasing its operations. Banking operations are such that mismatch of assets and liabilities according to their maturity profiles cannot be avoided. However, Management ensures that the mismatch is controlled in line with allowable risk levels. Liquidity is managed on a daily.

The table below analyses the contractual maturity structure of the Bank's assets and liabilities as at 31 December 2018.

Liquidity risk analysis

Contractual Maturity of undiscounted cash Flows of Financial Assets and Liabilities

	1 – 3 Months TZS	4 – 6 Months TZS	7 – 12 months TZS	Above 1 year TZS	Non-interest Bearing TZS	Total
31 December 2018						
FINANCIAL ASSETS						
Cash and balances with Banks in Tanzania	41,061596,940	-	-		8,984,686,930	50,046,283,871
Financial Investments						
Loan to banks	3,823,768,386	43,398,632,877	15,000,000,000	11,615,748,719	3,823,768,386	70,014,381,596
Loans to Customers	114,552,132	4,922,624,197	146,792,466,647	118,515,077,990	-	270,344,720,966
TOTAL	**88,398,550,335**	**4,922,624,197**	**161,792,466,647**	**130,130,826,709**	**8,984,686,930**	**394,229,154,818**
FINANCIAL LIABILITES					-	
Long term Borrowing	-	204,699,390	-	103,773,319,391	-	103,978,018,782
Other liabilities	1,038,559,215	-	-	658,790,720	-	1,697,349,935
Special deposits		-	226,033,733,000		-	226,033,733,000
Maturity gap as at 31 December, 2018	87,359,991,119	4,717,924,806	(64,241,266,353)	25,698,716,598	8,984,686,930	62,520,053,101

Liquidity risk analysis

Contractual Maturity of undiscounted cash Flows of Financial Assets and Liabilities

	1 – 3 Months TZS	4 – 6 Months TZS	7 – 12 months TZS	Above 1 year TZS	Non-interest Bearing TZS	Total
31 December 2018						
FINANCIAL ASSETS						
Cash balances with Banks	11,994,390,072	-		-	3,813,670,097	15,808,060,169
Loans to banks	91,700,000,000	44,300,000,000		-	-	136,000,000,000
Loans to Customers	142,595,388	1,687,514,889	9,197,041,991	427,786,165	-	11,454,938,434
TOTAL	**103,836,985,460**	**45,987,514,889**	**9,197,041,991**	**427,786,165**	**3,813,670,097**	**163,262,998,603**
FINANCIAL LIABILITES						
Long term Borrowing				103,773,319,391		103,773,319,391
Other liabilities	1,247,448,416	-	-		-	1,247,448,416
Total liabilities	1,247,448,416	-	-	103,773,319,391	-	105,020,767,807
Maturity gap as at 31 December, 2017	102,589,537,045	45,987,514,889	9,197,041,991	(103,345,533,226)	3,813,670,097	58,242,230,796

The maturity gap analysis shows that the bank has favorable maturity in the first 12 months. The bank is determined to cover up any mismatch arise thereafter

	2018 TZS	2017 TZS
5. Interest Income		
Interest on Loan and Advances to customers	3,394,247,298	253,063,172
Interest on Staff Loans	107,855,755	120,398,454
Interest on Treasury Bills	98,708,512	12,891,000
Income from Call Account	1,563,775,133	706,835,507
Interest from Interbank Placement	8,699,479,310	11,204,570,914
Total	**13,864,066,009**	**12,297,759,047**
6. Fees & commissions		
Loans processing fees	561,889,627	52,807,434
Funds management & administration fee	460,951,565	-
Total	**1,022,841,192**	**52,807,434**
7. Loan Impairment charges		
ECL - loans to customer	439,829,091	25,884,905
ECL - Staff loans	86,121,592	-
ECL - loan to banks	(83,350,128)	-
ECL - Government Securities	12,632,713	-
ECL - Bank balances within IFRS 9 scope	(9,424,419)	-
ECL - Other Financial assets	52,841,352	-
	498,650,201	**25,884,905**
8. Salaries and Benefits		
Wages, salaries and allowances	4,647,392,846	3,674,208,173
Social Security cost	420,787,425	363,170,593
Skills development levy	197,418,394	151,504,690
Workman's Compensation fund	23,752,867	16,742,340
Employment benefits	534,989,703	541,189,171
Medical Insurance	224,404,188	159,161,500
Leave & Transfer cost	384,241,999	277,230,686
Training cost	166,129,342	315,081,271
Other employment cost	108,603,844	118,688,465
Total	**6,707,720,609**	**5,616,976,888**

	2018 TZS	2017 TZS
9. Other Operating Expenses		
Occupancy cost	1,555,328,595	1,320,371,701
Depreciation	1,081,903,901	391,731,165
Travels & Business monitoring cost	678,209,943	555,149,509
Marketing and Advertising expenses	457,507,050	485,984,727
IT cost	142,396,211	168,170,024
Electricity and Water	86,983,966	41,213,663
Board meeting expenses	157,955,594	140,624,670
Directors' Fees	91,999,995	84,333,333
Communication expenses	90,168,249	44,159,533
Motor vehicle & Assets repair and maintenance	133,018,203	85,391,663
City service levy	26,075,346	20,276,820
Donation	-	9,423,500
Insurance	71,787,864	49,063,666
Printing and Stationery	82,647,390	94,697,767
Audit, Legal & Consulting cost	210,400,242	123,454,924 0
Credit Guarantee charges	46,516,617	1,846,914
Other cost	267,379,745	435,361,895
Total	**5,180,278,911**	**4,051,255,475**

	2018 TZS	2017 TZS
10. Income Tax		
a. Income Tax Expenses		
Current Income Tax	699,569,502	370,090,779
Deferred income tax - current year (note 18)	(177,669,146)	(249,711,224)
	521,900,356	**120,379,555**

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2018 TZS	2017 TZS
Profit before income tax	2,452,315,585	2,913,529,087
Tax calculated at the statutory Income tax rate 30%	**735,694,676**	**874,058,726**
Effects of non-qualifying capital allowances	-	-
Permanently disallowed expenditures	25,569,492	28,164,174
Income not subject to tax	(239,363,811)	(303,150,354)
(Over)/Under provision of deferred tax	-	(478,692,992)
Income tax as per Income statement	**521,900,356**	**120,379,555**
Effective tax rate	**21%**	**4%**
b. Income Tax Recoverable		
At beginning of the year	(99,847,308)	(81,099,100)
Current year income tax	699,569,502	370,090,779
Tax paid during the year	(217,120,000)	(388,838,987)
At end of the year	**382,602,194**	**(99,847,308)**

11. Property and Equipment

	Computers Electronic Equipment TZS	Office Equipment TZS	Furniture & Fixtures TZS	Motor vehicles TZS	Leasehold Improvements TZS	Total TZS
COST						
01 January 2018	2,679,372,591	79,640,062	132,541,762	689,943,656	355,720,628	3,937,218,698
Additions:	87,084,600	239,725,427	617,082,218		382,765,901	1,302,374,424
31 December 2018	**2,766,457,191**	**319,365,489**	**749,623,980**	**689,943,656**	**738,486,529**	**5,239,593,122**
DEPRECIATION						
01 January 2018	260,747,919	21,282,120	37,256,789	280,919,661	33,663,753	633,870,241
Charge for the year	682,636,253	26,000,475	63,930,537	171,227,603	132,054,736	1,075,849,604
At 31 December 2018	**943,384,172**	**47,282,595**	**101,187,326**	**452,147,264**	**165,718,489**	**1,709,719,845**
NET BOOK VALUE						
31 December 2018	**1,823,073,019**	**272,082,894**	**648,436,655**	**237,796,392**	**572,768,040**	**3,554,157,000**
31 December 2017	**2,418,624,672**	**58,357,942**	**95,284,973**	**409,023,995**	**322,056,875**	**3,303,348,457**

	2018 TZS	2017 TZS
12. Intangible assets		
At the beginning of year	**7,531,408**	**13,602,340**
Amortization for the year	(6,070,932)	(6,070,932)
At the end of the year	**1,477,111**	**7,531,408**
13. Cash and Bank		
Cash with Central Bank	7,662,839,737	3,607,863,439
Cash in operating accounts	1,571,847,193	12,900,196,730
Call Deposits	39,597,087,369	3,607,863,439
Cash cover in other banks	1,225,000,000	-
	50,056,774,299	**16,508,060,169**
Credit provisions	(10,490,429)	-
Net cash & Banks	**50,046,283,871**	**16,508,060,169**
14. Loans and advances to Banks		
Placements with other banks	68,200,000,000	136,000,000,000
Accrued interest on placements	2,966,550,731	-
Total	**71,166,550,731**	**136,000,000,000**
Credit provisions on Placements	(1,152,169,134)	-
Net loans to banks	**70,014,381,596**	**136,000,000,000**
15. 12.2 Financial Investments		
Treasury bills	3,754,000,000	-
Accrued Interest on Treasury bills	82,401,098.90	-
Total	**3,836,401,098**	**-**
Credit provisions on Financial Investments	(12,632,713)	
Net value	**3,823,768,385**	**-**

	2018 TZS	2017 TZS
16. Loans and advances to customers		
Advances to customers (gross)	267,145,206,147	9,726,955,288
Accrued interest receivable	2,124,615,439	153,782,397
	269,269,821,586	**9,880,737,685**
Less: Credit provisions on loans & advances (Note 21)	914,034,925	79,936,050
Net Loans to customers	**268,355,786,662**	**9,800,801,635**
Loans and Advances to staff	2,075,067,587	1,740,182,078
Accrued interest on staff loans		-
Staff loans fair value provisions	86,045,280	86,045,280
Net Loans to staff	**1,989,022,308**	**1,654,136,798**
Total net loans and advances	**270,344,720,966**	**11,454,938,434**
Gross Loans		
Advances to customers (gross)	267,145,206,147	9,726,955,288
Loans and Advances to staff (gross)	2,075,067,587	1,740,182,078
Accrued interest on customer loans	2,124,615,439	153,782,397
Total Gross Loans	**271,344,889,173**	**11,620,919,763**

Loans and advances to banks

All loans and advances to banks fall in the financial services industry

Segmental analysis – geography

The following table sets out the distribution of the Bank's loans and advances to customers (gross) by geographical areas where the customer is located.

	2018 TZS	2017 TZS
Southern Coast Cluster	231,951,549,589	-
Lake Zone Cluster	28,799,833,421	-
Eastern Cluster	3,228,763,534	2,872,181,689
Southern Highlands	2,683,668,300	498,285,003
Central Cluster	2,349,984,382	-
Northern Cluster	256,022,360	-
Zanzibar Cluster	-	6,510,270,993
Grand Total	**269,269,821,586**	**9,880,737,685**

The significant increase on the loan book was partly contributed by the award of the mandate to TADB by the government of Tanzania to fund The Cereals and Produces Board of Tanzania (CPB) to purchase raw cashew nuts harvest for the season 2017/2018. By the end of the year, the bank had disbursed TZS 232Bn to facilitate this transactions.

Segmental analysis – Value chain

The following table sets out the distribution of the Bank's loans and advances to customers (gross) by the value chain.

	2018 TZS	2017 TZS
Cashew nuts	231,951,549,589	-
Coffee	19,746,372,672	-
Sorghum	8,256,258,285	-
Maize	2,304,227,966	441,140,451
Sugarcane	1,558,061,997	1,579,153,847
Paddy	1,237,870,266	823,603,433
Agro-processing	1,120,102,852	-
Diary	722,444,914	-
Infrastructure	689,334,728	-
Dairy	438,706,317	-
Irish Potatoes	351,351,980	245,924,443
Avocado	350,278,668	-
Tomato	290,119,975	280,644,518
Onions	116,423,442	-
Fishing	115,714,371	-
Honey	21,003,564	-
Cloves	-	6,510,270,993
Grand Total	**269,269,821,586**	**9,880,737,685**

	2018 TZS	2017 TZS
17. Other Assets		
Prepayments	406,298,070	533,788,390
Accrued Interest on placements	-	4,826,553,876
Other receivables	266,486,565	291,133,852
Total	**672,784,634**	**5,651,476,118**
Credit provisions on other assets	(152,089,364)	-
Net closing value	**520,695,270**	**5,651,476,118**

18. Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes using the principal tax rate of 30%.

Deferred income tax (asset)/liabilities are attributed to the following items;-

	2018 TZS	2017 TZS
Accelerated depreciation for tax purpose	667,808,901	(803,147,845)
Credit provisions on financial assets	(2,327,549,849)	25,884,905
Total giving to deferred tax	**(1,659,740,948)**	**(777,262,940)**
Deferred tax (Assets)/liability thereof	**(497,922,284)**	**(233,178,882)**

The movement in deferred tax during the year is as follows:

Opening deferred tax (Assets)/liability	**(233,178,882)**	**16,532,342**
Charge/(credit) to profit and loss	(177,669,146)	(249,711,224)
Charge/(credit) to other OCI	(498,875,496)	
(Under)/over provision in prior years	411,801,239	
Closing deferred tax (Assets)/liability	**(497,922,285)**	**(233,178,882)**

The credit to other comprehensive income (OCI) is attributed to IFRS 9 day one adjustment through other comprehensive income

19. Capital Grant

During the year, the Bank received fund from Marketing Infrastructure, Value Addition and Rural Finance Support Programme (MIVARF) for capacity building in respect of its Rural Innovation Funds. The capital Grant account at the end of 2018 was as follows:

	2018 TZS	2017 TZS
I January	**2,615,453,445**	**2,722,968,697**
MIVARF Support	-	902,985,927
PSCP Grant on Capacity Building	-	-
Total	**2,615,453,445**	**3,625,954,624**
Amortized as Follows:		
Current period expense & fixed assets depreciation	797,879,369	1,010,501,179
31 December	**1,817,574,076**	**2,615,453,445**
20. Payables and Accruals		
Provisional Tax	382,601,667	-
Accrued Interest on borrowing	-	60,414,549
Accrued staff benefits	850,625,520	829,141,877
Suppliers	324,670,752	293,269,527
Other accruals	139,451,996	64,622,462
Total	**1,697,349,935**	**1,247,448,416**
21. Impairment provision under IFRS 9		
Details		
Term Loans to Customers	914,034,925	474,205,834
Staff loans	86,133,284	11,692
Bank Placements	1,152,169,134	1,235,519,263
Government Securities	12,632,713	
Bank balances in scope	10,490,429	19,914,848
Other assets in scope	152,089,364	99,248,012
Total	**2,327,549,849**	**1,828,899,649**

	2018 TZS	2017 TZS
22. Special Deposits/funds and managed funds		
AGRA Fund	1,397,693	-
RIF Fund	2,239,640	-
SCGS Funds	22,396,400	-
Short-term deposits	200,000,000	-
Total	**226,033,733**	**-**

AGRA Matching Grant

The TADB-AGRA Matching Grant was created to support SMEs/Processors to invest in purchasing and installation of bulk steel silos and/or modern maize milling machines with the aim of reducing post-harvest losses in the maize value chain. Through AGRA's grant, experienced SMEs will be linked to TADB for loans to enable them purchase bulk steel silos with a capacity of storing minimum of 500MT and or to purchase milling machines with capacity of milling and packing 30mt of maize per day.

As of date, the matching grant has facilitated two SMEs to secure milling equipment's and silo. These SMEs are from Njombe (milling equipment) and Songea Region (milling equipment and silo). The total facility given through the matching grant is US$ 437,110 and grant amount as of date is US$90,000.

Rural Innovation Fund (RIF)

The Rural Innovation Fund was formed to contribute to development of scalable and commercially viable innovations which result in improved livelihood of smallholder farmers through improved access to financial services and better integration in agricultural value chains in Tanzania. This objective is achieved through provision of financial support to incentivize development of innovations by organizations with the adequate capacity to innovate and strategy to scale up and commercialize successful innovations.

The intended beneficiaries of the fund are financial institutions, ICT companies, Agribusiness companies (input suppliers, off-takers, processors, service providers); and Farmers' organizations.

This fund was also provided by the International Fund for Agricultural Development (IFAD) to the Government of Tanzania of which TADB was appointed as the administrator of the fund in November 2017. The fund is worth US$ 5 million, first tranche of US$ 1 million was received in January 2018.

Smallholder Farmers Credit Guarantee Scheme (SCGS) fund

The Small Holder Farmers Credit Guarantee Scheme is a fund that aims at encouraging commercial banks to increase their loans to smallholder farmers who, in the past years, have been side lined from the formal banking services. Though this fund, TADB funds and guarantees up to 50% of principal loan amount issued by commercial banks to small holder famers across the country.

The fund was provided by the International Fund for Agricultural Development (IFAD) to the Government of Tanzania of which TADB was appointed as the administrator of the fund in November 2017. The fund is worth US$ 20 million, first tranche of US$ 10 million was received in January 2018 and the second tranche is expected in 2019.

Up to date, the guarantee scheme has facilitated financing to 871 farmers engaged in the farming of sugar cane, paddy and sunflower located in Morogoro, Iringa and Njombe respectively. Current commercial banks that are beneficiaries of the fund are NMB Bank Plc, TPB Bank Plc and CRDB Bank Plc.

Short Term Deposits

During the year 2018, the bank won a mandate to fund The Cereals and Produces Board of Tanzania (CPB) to purchase raw cashew nuts harvest for the season 2017/2018. In order to facilitate this transaction, the bank mobilized short term deposits/funding from various organization of about 200Bn shillings up to the end of year 2018.

23. Long-term borrowings

	2018 TZS	2017 TZS
Loan from AfDB	103,773,319,392	103,773,319,392
Accrued Interest on borrowings	204,699,390	-
Total	**103,978,018,782**	**103,773,319,392**

The loan from AfDB is the long term loan which was provided to TADB through the Government of Tanzania. The contract was signed on 19th December 2016 for provision of funds amounting UA 67.27 million to TADB, equivalent to USD 93.5 million or TZS 210 billion. The tenure of the loan is 40 years with 10 years grace period.

The loan is disbursed in two tranches; the first tranche of the loan TZS 103,773,319,391 equivalent to USD 46,711,615.30 was disbursed to TADB on 7th July 2017. In 2018, the bank made commendable strides towards fulfilment of the conditions precedent (CPs) to trigger for second tranche disbursement as summarized below;

Process and system improvement.

By the end of 2018 the bank was at final stages of engaging its partner institution National Bank for Agriculture and Rural Development (NABARD) and its consulting arm NABCONS both of India to conduct a thorough review of TADB Business Processes. The review exercise will entail, among other things, conducting thorough review of existing business processes within and between operating units, identify gaps in management of risks and against leading practices for a development bank, recommend and facilitate implementation of appropriate interventions to be adopted in order to improve business processes covering the entire operations of the Bank. The review exercise is expected to be completed before end of March 2019.

Information Technology (IT).

By year end, the bank was at advanced stages of completing the tender for procurement of a Core Banking System following re-advertisement of the same in November 2018. Supply, installation and configuration of the system is expected to be completed by April 2019.

Progress in utilization of the 1st tranche of funds.

The bank recorded 91.7% utilization rate of the first tranche of the AfDB funds having disbursed TZS 95.1 billion worth of loans, cumulative, as at 31st December 2018 over and above the TZS 50 billion disbursement target set forth by the AfDB's during the annual Supervision Mission of April 2018.

With the above, the second tranche is expected in the first half of year 2019

24. Cash and Cash Equivalents

For the purposes of the Statement of Cash flows, cash and cash equivalents comprises of cash on hand and demand deposits. Cash equivalents comprise of highly liquid investments that are convertible into cash with significant risk of changes in value with original maturities of three months or less. During the year ended 31 December 2018, cash and cash equivalents comprise of the following:

	2018 TZS	2017 TZS
Cash and Bank	50,056,774,299	15,808,060,169
Interbank placements	71,166,550,731	136,000,000,000
Investment in Government Securities	3,754,000,000	-
Total	**124,977,325,030**	**151,808,060,169**

25. Related party's transactions

During the year the Bank had several transactions with other related parties as follows:

a. Due from related parties

	2018 TZS	2017 TZS
Loans and advances to senior management	393,757,488	377,225,914

Loans to senior management carry 6% per cent interest. Difference between interest charged by Fund and the statutory rate as per sect.27 (1) b of the Income Tax Act of 2004 is compensated by taxed loan benefit received. The loans advanced to the senior management are recovered from their salaries within their contract period.

The remuneration of key management staff during the year is given below:

	2018 TZS	2017 TZS
Salaries for key management staff	1,877,746,331	1,120,940,663
End of the term allowance	163,399,233	280,235,166
Total	2,041,145,564	1,4011,175829

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the Bank, comprising Directors of the Bank.

26. Share Capital

The bank's authorised and fully paid up share capital for the year ended 31 December 2018 is as follows:

	2018 TZS	2017 TZS
Authorized:		
800,000,000 Ordinary shares of TZS 1,000 each	800,000,000,000	800,000,000,000
Issued and fully paid up:		
60,000,000 Ordinary shares of TZS 1,000 each	60,000,000,000	60,000,000,000

27. Financial Risk Management Objectives and Policies

Financial risk management within the bank is governed by policies and guidelines approved by the Board. These policies and guidelines cover interest rate risk, currency risk, credit risk and liquidity risk. The bank policies and guidelines also cover areas such as cash management, investment of excess funds and the raising of short and long-term debt. Compliance with the policies and guidelines is managed by segregated functions within the bank. The objective of financial risk management is to contain, where deemed appropriate, exposures to the various types of financial risks mentioned above in order to limit any negative impact on the bank's results and financial position.

In accordance with its financial risk policies, the bank manages its market risk exposures by using financial instruments when deemed appropriate.

28. Capital Management Objectives and Policies

The bank's objective of capital management is to ensure that, on one hand, capital is, and will continue to be, adequate to maintain confidence in the safety and stability of the bank and that, on the other hand, the return on capital is sufficient to satisfy the expectations of investors.

The bank has developed and implemented capital management policies that ensure that the quantity of its capital is adequate, at a minimum, to meet all applicable regulatory requirements.

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by Bank of Tanzania for supervisory purposes. The required information is filed with Bank of Tanzania on a quarterly basis.

The risk weighted assets are measured by means of a hierarchy, classified according to the nature and reflecting an estimate, of the credit risk associated with each assets and counter party. A similar treatment is adopted for off balance sheet exposure, with some adjustment to reflect the more contingent nature of the potential losses.

The Bank manages its capital to meet Bank of Tanzania requirements listed below:

- hold the minimum level of the regulatory capital of TZS 5 billion;
- maintain core capital of not less than 10% of total deposit liabilities; and
- Maintain a ratio of total regulatory capital of not less than the internationally agreed 12% of risk-weighted assets (Basel ratio) plus risk-weighted off-balance sheet items.

The regulatory capital as established by the Bank of Tanzania is divided into two tiers:

- Tier 1 capital which includes ordinary share capital, retained earnings and reserves created by appropriations of retained earnings deduct prepaid expenses and deferred charges
- Tier 2 capital (supplementary capital) which includes the general provisions.

During the period, the Bank has complied with all the imposed capital requirements of Bank of Tanzania to which the Bank is subject. The table below summarizes the composition of core capital of the bank

	2018 TZS	2017 TZS
Share Capital & Reserves		
Advance Toward Share Capital	60,000,000,000	60,000,000,000
Retained Earnings	5,276,730,691	4,922,159,525
Capital Grants	1,817,574,076	2,615,453,445
	67,094,304,767	**67,537,612,970**
Less:		
Pre-paid expenses	(2,012,653,903)	(824,922,242)
Deferred tax & Tax Assets	(497,922,285)	(333,026,190)
	(2,510,576,188)	**(1,157,948,432)**
Total Available Capital	**64,583,728,579**	**66,379,664,538**
Risk weighted assets	**73,282,532,441**	**46,334,047,881**
Capital Adequacy ratio	**88%**	**143%**

29. FAIR VALUE HIERACHY AND MEASUREMENT

The Bank does not have a very accurate basis for calculating the fair value of the other financial instruments at amortised cost. However, its overall assessment is that their fair values would not be significantly different from the amortised cost at which they are stated because the majority are short term or repeat in the short term.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Level 1 TZS	Level 2 TZS	Level 3 TZS	Total TZS
31-Dec-18				
Financial assets				
Cash and balances with Bank of Tanzania	-	8,920,721,571	-	8,920,721,571
Balances with other banks – current and call accounts	-	41,136,052,728	-	41,136,052,728
Loans to banks	-	71,166,550,731	-	71,166,550,731
Loans and advances	-	266,231,171,222	-	266,129,046,912
Other assets	-	11,630,022,425	-	11,630,022,425
	-	**399,084,518,678**	**-**	**399,084,518,678**
Financial Liabilities				
Other Liabilities				**332,240,995,924**

	Level 1 TZS	Level 2 TZS	Level 3 TZS	Total TZS
31-Dec-17				
Financial assets				
Cash and balances with Bank of Tanzania	-	3,610,093,509	-	3,610,093,509
Balances with other banks – current and call accounts	-	12,197,966,660	-	12,197,966,660
Loans to banks	-	136,000,000,000	-	136,000,000,000
Loans and advances	-	9,800,801,635	-	9,800,801,635
Other assets	-	7,160,862,661	-	7,160,862,661
		168,769,724,465	**-**	**168,769,724,465**
Financial Liabilities				
Other Liabilities				**105,020,767,807**

Valuation models or techniques

The Bank measures fair values using the fair value hierarchy, which reflects the significance of the inputs used in making the measurements as specified by IFRS 13 where the valuation models or techniques should be based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. The hierarchy is explained below;

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes debt instruments on exchanges.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Reuters.

Level 3 – inputs for the instruments that are not based on observable market data (unobservable inputs). This category includes all assets or liabilities for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30. COMMITMENTS AND CONTINGENT LIABLITIES

Loan commitments guarantee and other financial facilities

The Bank did not have loan commitments guarantee and other financial facilities as at 31 December 2018.

Operating lease commitments

The Bank has a 5 year operating lease for office space effective from the 1st May 2015 and ending on the 31 April 2020. The lease may be renewed after consent of both parties for a similar or other period.

The future minimum lease payments under non-cancellable operating leases are as follows:

	2018 TZS	2017 TZS
Not later than one year	1,285,306,763	1,102,411,681
Later than one year and not later than five years	919,516,599	2,204,823,362

The directors are of the view that these commitments will be sufficiently covered by future net revenues and funding

Legal claims

At the year ended 31 December 2018, there were two (2) pending cases. A legal opinion has been made assessing the likelihood of losing/ wining both cases which remained outstanding since 2016. The bank's legal advisors are more than 50% confident that the bank will win both cases; however, a provision of TZ 658 million (2017: TZ 658 million) has been made.

Capital commitments

The Management certifies that there was no capital commitment as at 31 December 2018.

31. Events Subsequent to the year end

At the date of signing the financial statements, the Directors are not aware of any circumstance or other matter arising since the year end, not otherwise dealt with in these financial statements, which significantly affect the financial position of the Bank and results of its operations

01 MNYORORO WA THAMANI WA MAZAO YA KILLIMO NA MIFUGO

TADB imetoa mikopo ya kuwekeza kwenye minyororo ya thamani ya mazao zaidi ya 16 ikiwemo Pamba, Kahawa, Miwa, Mahindi, Alizeti, Mpunga na mifugo kwa mikoa 19 ya Tanzania ikiwemo Zanzibar.

02 AINA YA MIKOPO

Benki inatoa mikopo ya aina tatu ambayo ni;
Mikopo ya Muda mfupi (Hadi miaka miwili(2)),
Mikopo ya Muda wa kati(Zaidi ya miaka 2 hadi miaka mitano(5)) na mikopo ya Muda mrefu(Zaidi ya miaka 5 hadi miaka kumi na Mitano(15)).

TSH

03 RIBA INAYOTOZWA

Mikopo hii hutozwa riba kuanzia asilimia nane (8%) hapi kumi na sita (16%) kutegemea na aina ya mkopo na muda wa marejesho

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Accacia Estate Building
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Phone: +255 26 296 3849

Mwanza Zonal office
TBA Building
Ground Floor Ex. TRA Office,
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Phone: +255 28 254 1763

Mbeya Zonal office
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