TADB

Benki ya Maendeleo ya Kilimo Tanzania

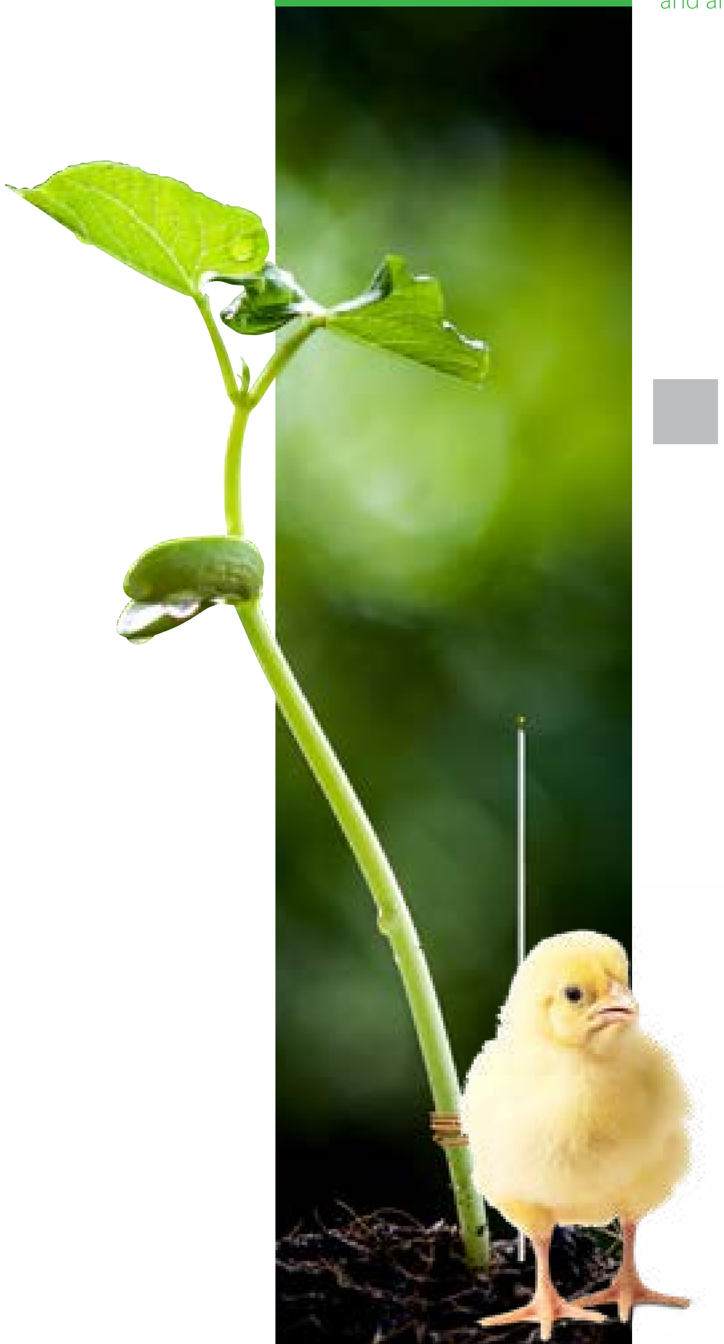
"Benki ya Wakulima"

2019 Annual Report

Fostering Growth

Fostering Growth

In the year 2018, the bank adopted the theme, breaking new ground, as most of the projects undertaken then were novel. 2019 has been a record year for the bank in terms of learning, growing and establishing its place in the agricultural space. It is for this reason that the bank has taken on the theme "Fostering Growth" as it has placed much of its focus on promoting growth in the sector, the primary mandate of the bank. This theme will not only hold in the year 2019, but will be ongoing throughout the life of the bank. To foster growth in the sector, there is need for value chain financing and analyzing every value chain node.



Financing agriculture

requires collaboration among stakeholders and innovative finance solutions that will enhance the productivity of smallholder farmers and boost shared prosperity.

Growth in this sector

requires focused prioritization of the agriculture development agenda to speed up transformation along the value chain for equitable progress.

Contents

Abbreviations

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
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:	Tanzania Agricultural Development Bank Limited (TADB) is a Government Institution established under the Companies Act, 2002 and licensed under the provisions of the Banking and Financial Institutions Act No 5 of 2006 and the Banking and Financial Institutions (Development Finance) Regulations, 2012.
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

INTRODUCTION

Who we are

The Tanzania Agricultural Development Bank Limited (TADB) is a state-owned Development Finance Institution (DFI) established under the Companies Act, 2002 and licensed under the provisions of the Banking and Financial Institutions Act No 5 of 2006 and the Banking and Financial Institutions (Development Finance) Regulations, 2012. The key role of is a catalyst for delivery of short, medium and long-term credit facilities for development of agriculture in Tanzania. Its establishment is among the key initiatives and national goals enshrined in the Vision 2025, which are directed towards enhancing economic development and poverty reduction.

Our Mandate

The TADB was established with the following two main goals of:

i. Facilitating attainment of sustainable food self-sufficiency and food security in Tanzania.

ii. Promoting and supporting transformation of agriculture from subsistence to commercial undertaking to effectively and sustainably contribute to economic growth and poverty reduction.

Key Mandates

Catalyzing Agri-financing

- Catalyzing financing of strategic projects – irrigation schemes, mechanization, agro-processing etc.
- Augmenting existing agro-financing activities - Guarantee facility, wholesale lending, co-financing etc.
- Facilitating efficient trade arrangements for strategic agricultural commodities
- Implementing initiatives to increase financial inclusion of small-scale farmers and the rural sector

Advisory

- Participating in development of policies, legal and regulatory frameworks for financial sector and agricultural development
- Conducting research and analyses geared towards advocating for improvement of the business environment for agriculture and allied sectors

Resource Mobilization

- Low cost long term funds for investment in infrastructure of agricultural production and value addition
- Mobilization and management of funds for implementation of special projects
- TA funds – project preparation, social k dev't, capacity building programmes for farmers and lending institutions
- Hybrid funds – matching grants etc.

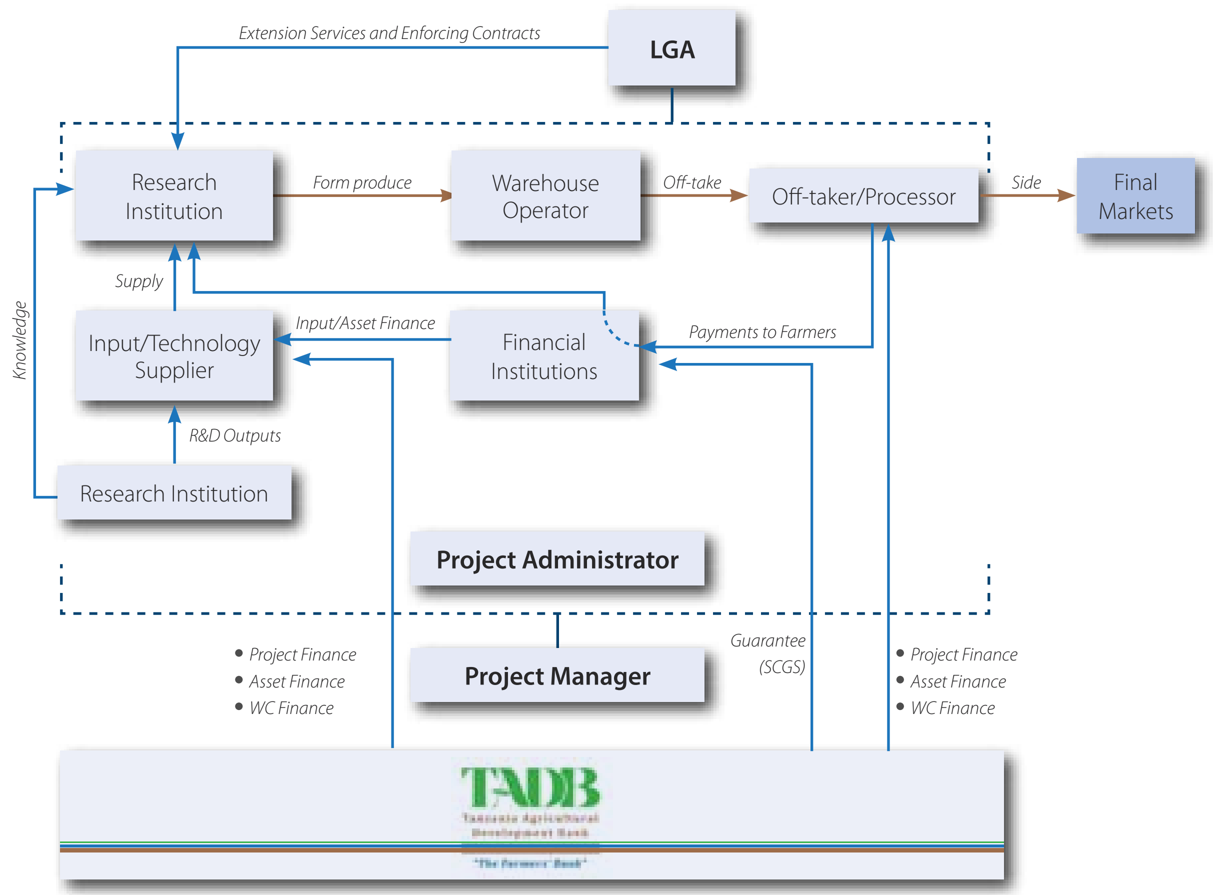
Capacity Building

- Modernization and commercialization of small-scale farmers
- Implementing capacity building programs to strengthen agricultural value chains
- Strengthen agriculture lending institutions (TA programs – SCGS, wholesale lending)
- Coordinating actions of various actors in agriculture to create synergies

Our Approach

The bank focuses on inclusive agricultural value chain projects, as a more effective, risk adept approach of financing agriculture – bringing together various actors to play active roles in financed projects.

How it works



Projects will be designed following a collaborative approach with specific responsibilities for each partner as will be defined by framework agreements (joint MOUs) signed by the partners. Some of the key partners envisioned include;

i. Producer groups (crop, livestock, fisheries and forestry); who are the target beneficiaries of supported projects;

ii. Input and technology suppliers including suppliers of seedling, seeds, fertilizers, agro-chemicals, farm implements, tractors and related technologies;

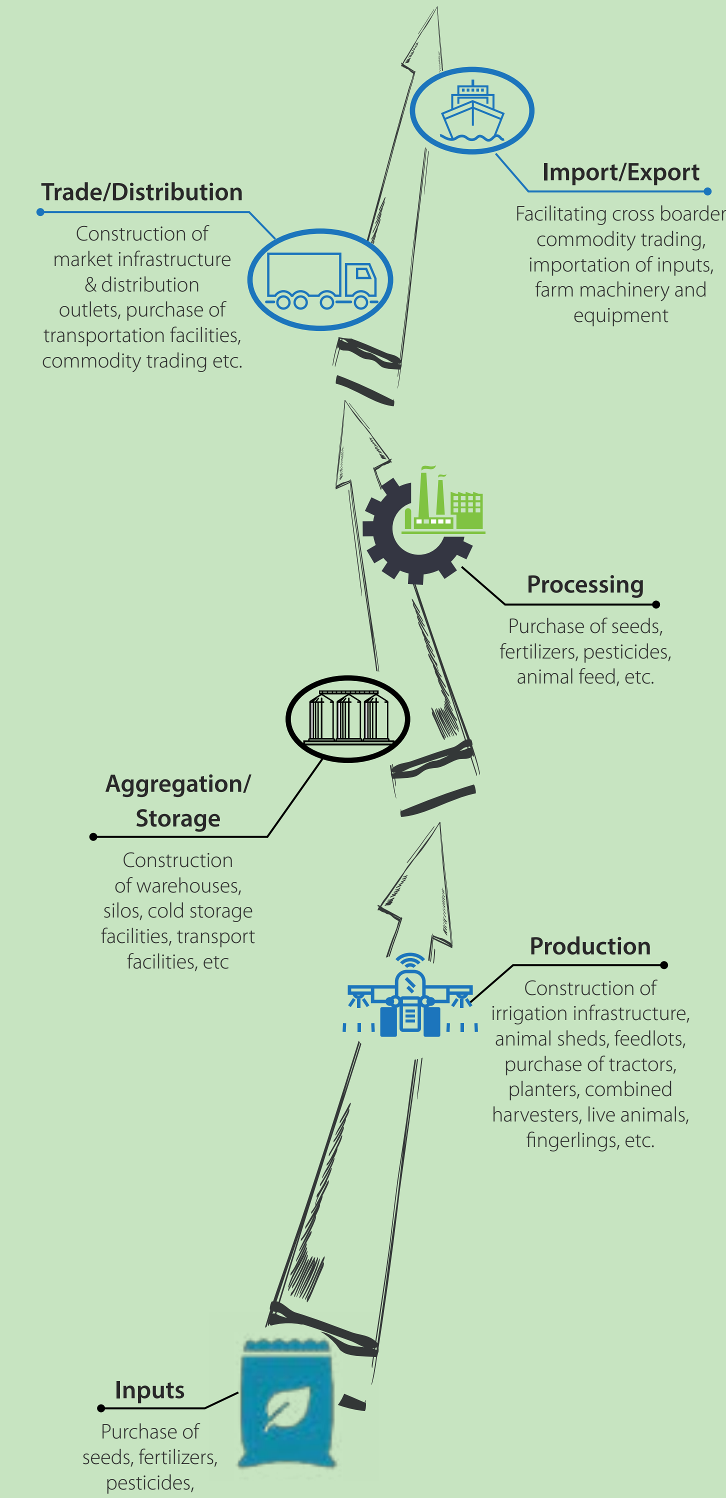
iii. Off-takers and/or agro-processors; to determine produce specification and ensure reliable off-take from producer groups. Where appropriate, off-takers/agro-processors may extend agronomic services to producer groups and act as conduit of credit delivery and loan repayment;

iv. LGAs: to make possible the supply of reliable extension services, assist in project monitoring and enforce contracts between producer groups and off-takers/agro-processors;

v. Research institutions: to play the R&D role including researching and/or developing seeds and seedlings and facilitate their distribution to farmers;

vi. Project administrators: to play the overall project coordination role and bring together various actors (mentioned above) along the various agricultural chains and the services of various support institutions. The partners may be expected to play a central role of developing ideas and concepts and proposing the same for implementation in line with the bank's strategy and mandate; and

Value Chain Financing



Investing to Transform Agriculture

TADB approved and disbursed a total of TZS 491.7 Million to finance the purchase of a combine harvester, tractor, and its accessories in the paddy and horticulture value chain

In order to unlock agriculture as a globally competitive sector for Tanzania's smallholder farmers, a shift towards scaling mechanised and technology-based farming ought to happen. As the leading sector to the country's economy which employs nearly 70% of the population, targeted investments to improve productivity and mitigate losses of agricultural produce could unleash wealth for smallholder farmers and enhance the sector's performance and contribution to the GDP.

Additionally, Tanzania's strategic location and considerable arable land which stands at 44 million hectares presents an opportunity for the country to exploit opportunities in its agro-industry and become a major food exporter as the country shares borders with eight African countries: Burundi, Democratic Republic of Congo, Kenya, Malawi, Mozambique, Rwanda, Uganda and Zambia.

Agriculture is a leading sector to the country's economy which employs

70%

of the population.

The government recognizes agriculture as central to realizing its objectives of inclusive socio-economic development, which are well-articulated in the Second Agriculture Sector Development Program (ASDP II). Among the goals of ASDP II are to transform agriculture by promoting commercialization, prioritizing high-potential commodity value chains, and mobilizing capital by giving the formal private sector a growing role in agriculture.

The ASDP II further highlights that the agriculture transformation can be achieved through the use of technology to improve rural labour productivity and attract young entrepreneurs to the sector. The application of modern farming technologies such as irrigation, harvesters, will lead to producing higher-value products, which culminate to improved livelihoods.

In line with the government's objectives, the bank plays a major role in supporting agriculture development by providing finance to agriculture projects that promote economic growth, food security and reduction of income poverty. In 2019 the bank disbursed funds to finance different projects in the sector, these are categorized into:

Mechanisation

According to the Ministry of Agriculture, the use and availability of modern farming technologies is a driving force towards improving land productivity through the establishment of projects such as horticulture, modern irrigation, modern livestock and poultry production as well as increase access of raw materials to feed the country' industrial demand. In the efforts to support agricultural mechanization; TADB approved and disbursed a total of TZS 491.7 Million to finance the purchase of a combine harvester, tractor, and its accessories in the paddy and horticulture value chain.

Post-harvest losses

Post-harvest food losses have been identified as a bottleneck to achieving Tanzania's agriculture potential, ANSAF post-harvest management strategy 2019 - 2029, highlights that post-harvest losses in the country are estimated to be 30 - 40% for cereals and other perishable crops. As a response, the bank financed the construction of five (5) warehouse in Mbeya, Njombe, Ruvuma, Arusha and Dar es Salaam.

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Irrigation schemes

Irrigation is a promising way of increasing agricultural productivity, since 2006, Tanzania aims to expand irrigation to one million hectares in 2020. Currently, only five per cent — 461,000 hectares — of Tanzania's cultivated land is irrigated, out of an estimated 29.4 million hectares available. To enable the county to reach its irrigation objectives, TADB continues with its efforts to develop large irrigation projects countrywide. To this end, four big projects have been identified and are in different stages of implementation or development;

- A paddy irrigation project covering 2,050 acres in Busega (Simiyu) – development stage
- A barley, sorghum and maize value chains project in Kagera
- A grapes irrigation project covering 400 acres in Chamwino, Dodoma
- Bugwema irrigation project in Mara

TADB envisions that by 2025 agriculture crop productivity will grow at a much higher percentage from the current 9.9 million tonnes - targeted interventions and investments in agriculture development projects can spur sector transformation.

TADB Timeline

Obtained DFI license from Bank of Tanzania (BOT).

2015

- 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.

2018

- Started implementation of the 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.

2019

- Disbursed loans worth 59.67 bn impacting more than 2million farmers
- in 2019 the bank opened two (2) zonal offices to cater for the Southern Highlands and Lake Zone cluster and onboarded 13 new staff to the vibrant team to support the bank's growth
- The bank approved and disbursed TZS 23.2 Billion worth of loans for trade financing to facilitate coffee trading operations

TADB Impact in 2019

57
Tractors and Farm Implements
7 power tillers

20
Off-taking and Trade Arrangements

9
Warehouses and Silos

112 AMCOS
Inputs Finance

18
Agro-processing factories

6
Irrigation Projects

75
Livestock Projects (Dairy, Beef, Poultry, Fish Farming)

Chairperson's Statement

I am pleased to present the Tanzania Agricultural Development Bank's (TADB) Annual Report and Financial Statements for the year ended 2019.

Operating Environment

Tanzania is regarded as a markedly diversified economy, characterized by robust private consumption, substantial public spending, strong investment growth, and an upturn in exports. The year 2019 was a catapult year for the country, having undergone many changes, transitions and shifts in the right direction. GDP growth was estimated at 6.8% in 2019 and it is important to note that the contribution agriculture has made towards this GDP has been constantly on the rise since the early 2000s, 2019 being no different. The sector recorded an annual growth rate of 5%, contributed around 29% to the country's GDP having grown by 17% from year 2015 and employed some 58% of the workforce.

Performance

With 45 million populations and 2.7% of annual population growth rate, Tanzania has ample labour force and a huge domestic demand for agricultural products including livestock and fishery products. Though the country is well endowed in terms of land, water, labour and other resources, there still remain huge opportunities for transforming agricultural production systems to modern commercial farming from the current smallholder-based subsistence farming. In 2019 we continued to implement interventions aimed at ensuring that Tanzania's main producers the smallholder farmers are adequately supported with the necessary knowledge, technologies, and support services to increase production and productivity. Our work to support the sector has resulted in the provision of a total of TZS 172.5 billion in loans directly and through the Smallholder Farmers Credit Guarantee Scheme (SCGS) benefiting more than 1.8 million famers country-wide.

In terms of our contribution towards the government's industrialisation agenda, the bank advanced loans amounting to TZS 27.14 billion to support 8 agro-processing factories with the view to expand the country's capacity for producing value added products for the domestic, regional and international markets. To deliver against this industrious objective, it is imperative that we intensify our efforts to mobilize long term affordable funds for lending to this important segment of the agricultural value chain. In 2019 we embarked on an ambitious resource mobilization strategy working with relevant stakeholders, national and international, in the agricultural development space. The efforts paid off as we managed to secure the second tranche of long term funds equivalent to TZS 103 billion from the African Development Bank (AfDB) for affordable lending to the sector and additional resources from various development partner institutions to further the agricultural development agenda.

TZS 103bn

from AFDB - second tranche of long-term funds

TZS 27.14 bn

to support 8 agro-processing factories

TZS 172.5 bn in loans through the SCGS benefiting more than 1.8 ml farmers

Board Changes

The year 2019 also marked a change in TADB's governance structure with the tenure of its Board of Directors coming to an end in April 28, 2019 having served for a period of three years from April 28, 2016. I wish to take this opportunity to express my warmest gratitude the previous members of the Board which, through its strong leadership saw the bank effectively deliver against its mandate from its early years. I would like to recognize the previous Board's contribution to enabling TADB to record great strides widening its scope of service delivery by opening new zonal offices and expanding service points. Furthermore, growing the loan book and posting operating profits from the early years of operations which is something quite unique in the market. I wish all former members of the TADB Board of Directors the best in their future endeavours.

Outlook & Appreciation

Looking ahead, we foresee strong growth, an improved macroeconomic environment and an enhanced investor confidence in the agricultural sector, especially as the Government continues to improve the business environment of different agricultural sub-sectors and as more stakeholders recognise its importance. I strongly believe that the country can attain the upper-income status ahead of schedule as was for the lower-middle income status achieved already. In this I think we agree that agriculture has immense potential to deliver on.

I take this opportunity to thank all our stakeholders; the Government of Tanzania under the leadership of our beloved President Dr John Joseph Pombe Magufuli for the unwavering support received thus far and the support we continue to receive, members of the TADB Board of Directors for their contribution and strategic oversight, and the Management team & employees for their commitment and hard work as we strive to move the agri-transformation agenda forward.

There still remain huge opportunities for transforming agricultural production systems to modern commercial farming.

Managing Director's Message

59%
Profit after tax

It is hard to believe that the bank has only been in existence for 5 years to date, it definitely seems longer. This may be due to the fact that 2019 has not only been a steep learning curve but a take-off year for TADB.

The bank's main mandate is to improve productivity in the agricultural sector, which has proven to be both a rewarding and challenging sector to engage in. Rewarding in the immense opportunities it affords, challenging in its fragmentation and asymmetry between players of its numerous value chains.

Context

The Agriculture sector in Tanzania displays vast opportunities for growth, with some areas remaining untapped. For instance, the country has around 94.5 million hectares of land of which approximately 44 million hectares are classified as arable, and yet only 24% of the arable land is under cultivation. Additionally, of the 50 million hectares, suitable for livestock, only 26 million hectares is under use, and yet Tanzania has the second largest livestock population in Africa (Ethiopia being first). One would say, Tanzania is sitting on a pot of gold. It is for this reason that the government has continued to implement reforms to improve the farmers' business environment in order to tap into the areas that have remained untouched.

Although TADB has assumed the leading role, the sector requires joint and well-coordinated efforts from stakeholders ranging from the Government, development partners, the private sector, the farmers themselves and others, in order to push agriculture development agenda forward. Another hidden stakeholder is the young labour force that Tanzania has at her disposal. This group needs to be enticed by showing them that Agriculture is a viable sector for employment. As it stands today, the sector comprises of individuals of various age groups except the youth.

Performance

The bank's loan portfolio grew by 43% impacting more than 1.8 million farmers, supporting 17 value chains and over 140 projects in cereals, horticulture, forest produce, oil seeds, livestock and fisheries. In efforts to address the post-harvest losses challenge which is estimated to account for up to 40% of agricultural produce annually, we have supported the construction of 12 warehouses and 5 silos in various regions in the country. Moreover, our SCGS scheme has made significant progress since its launch in 2018 with loans worth TZS 39.3 billion extended to smallholder farmers and agri-SMEs as of 31 Dec 2019 by 8 participating financial institutions guaranteed by the scheme. As such, we have managed to change the lives of over 6,000 farmers directly and 103,128 more indirectly. In terms of expanding service outreach, the bank has succeeded in opening four zonal offices in the Central, Lake, Southern Highlands and Eastern Zones alongside establishing notable digital presence.

59.67 bn
disbursed

Supported 17 value chain in 22 regions

22%
revenue growth

Strategy moving forward

Agricultural financing is an art, it is more than providing finance, it is building and repairing value chains, it is engaging the correct stakeholders, it is smart agriculture planning and above all it is meant to provide long lasting solutions that will unlock a new and improved agricultural sector. It is for this reason that the bank seeks to build a more effective, risk adept approach of financing agriculture known as the Integrated Agricultural Value Chain Finance Model. This new model pays particular focus on financing smallholder production with additional financing extended to downstream actors in agricultural chains implemented by a cohort of business support institutions to ensure various actors play effective roles in projects we support.

In 2019, we received the second tranche of funds worth TZS 103 billion from the African Development Bank for lending to the sector and an equivalent of TZS 10.9 billion in total from various sources to further push our agricultural transformation agenda. We will continue to work with stakeholders in the public, private and development support sectors to mobilize adequate low-cost financial resources for affordable lending to agriculture. The bank is committed to continue efforts to mobilise resources and build capacity of the farmers to ensure Tanzania moves from subsistence to commercialised modern farming and agribusiness. Our best years are ahead of us.

Japhet Justine,
Managing Director.

Agricultural financing is an art, it is more than providing finance, it is building and repairing value chains.

Information & Communication Technology Unit

Erick Semiono

Head, 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.

Directorate of Finance, Funding & Resource Mobilisation

Derick Lugemala

Director, Directorate of Finance, Funding & Resource Mobilisation

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 2019, the banks continued to have a good relationship with all regulators and successfully implemented IFRS 9.

Received the second tranche of funds from AFDC

TZS 104bn

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 2019, TADB received the second tranche of funds from **AFDB** tzs104bn.

Resources mobilization and partnership Key Success Stories for 2019

TADB continued to engage with various stakeholders in terms of building strategic alliances, and in terms of source funds and other resources for the bank. During the year 2019, the TADB successfully – conducted 178 engagements with 109 different stakeholders in the sector. Out of the engaged stakeholders, 71 stakeholders were identified for strategic alliances for various crop-value chain interventions, 54 were categorised for potential partners in fund mobilisation and the remaining were acknowledged in terms of assisting the bank and its activities in the form of Technical assistance and capacity building

The categories of stakeholder engaged ranged from Public sector actors, foreign dignitaries, consultants, local and international financial institutions to Development Partners and Non-profit organisations. The following highlight the milestones achieved by the end of December 2019.

> Received the second tranche of funds from AFDC
>
> TZS 104bn

i. TADB received the second tranche of funds from AfDB worth TZS 104billion.

ii. During October, 2019, TADB signed a contract with FSDT giving a grant worth USD 600,000 to TADB to support financial inclusion initiatives in the agriculture sector through two programs: the Mfumo Jumuishi and Fit4Ag with funding worth. During the fourth quarter, 2019, the bank received the first tranche of funds worth $ 200,000 to start the implementation of these two initiatives.

iii. TADB's collaboration with IFAD through the MIVARF program continued with the two products: SCGS and RIF. The bank was able to utilize more than 75% of the first tranche of the SCGS fund allowing for the disbursement of the second tranche worth USD 10 Million to TADB during the month of December, 2019.

iv. Furthermore, IFAD agreed to covert the fund allocated to the RIF (USD 4 Million) to the SCGS and agreed to allocate 5.7% (USD 1.45 Million) of the SCGS fund as a Technical Assistance funds to support the implementation of the program.

v. DANIDA agreed to finance various studies requested by the TADB. The two organization has already procured a consultancy firm to conduct a horticulture investment study and the work is in progress.

vi. USAID financed various studies conducted by DARLBERG for TADB under the Fit4AG initiatives. Studies conducted were on the following subsectors: Sisal, Textile & Apparel, Dairy and Livestock, Protein (Soya), Edible oils and a CCU business plan

vii. SAGCOT CTF who has agreed to fund an outreach program in the lake zone area for smallholder livestock keepers around the Chobo Investment. The current budget for the program stands at TZS 300 m.

viii. JICA extended a scholarship offer for a Master's Program in Japan starting September 2020 to TADB. Moreover, JICA also extended a one-month training on DFI to the bank and the Director of Finance and Funding attended this course in Tokyo, Japan. A proposal for Technical assistance (TA) to conduct feasibility studies, and to build capacity to TADB staff (including the attachment of experts to TADB). Lastly, an engagement with TADB and other financial institutions in being recipients of a two-step loan worth USD 30 Million aimed at supporting SME Industrialization in Tanzania are also on going.

ix. After the AFD mission during the first quarter of 2019, AFD has expressed their willingness to - provide TADB with a long-term concessional loan worth Euro 80 Million to support the development of a wholesale lending product, the scaling-up of the SCGS, direct lending and co-financing. The government (Ministry of Finance and Planning) has already sent a formal request for this funding and the contract is expected to be signed in 2020.

x. Africa Legal Support Facility (ALSF) an organization established by AfDB have expressed their willingness to provide Capacity Building to the TADB legal team on the structuring of investment transactions. After receiving a formal request from the Government, the roadmap is now under development.

xi. Discussions are underway between TADB and AfDB for the bank to be among the implementing partners of AFAWA initiative, which aims at supporting Women SME businesses in Africa. It is expected that TADB will get TA support worth USD 250,000 and a guarantee line to support lending to SMEs business owned by women in Tanzania.

xii. Discussions are ongoing between TADB with ACELI Africa and African Guarantee Fund (AGF) for risk Mitigation facilities, where both organisations have expressed their willingness to support TADB with guarantees for SMEs lending.

xiii. TADB engaged with the East African Development Bank (EADB) for co-financing and after signing the NDA, the bank has shared two projects which are currently under review at their headquarters in Kampala, Uganda.

xiv. TADB engaged Volcani International Partnership (VIP) from Israel to collaborate in developing a program for youth in agriculture. From initial discussions, Volcani International Partnership (VIP) have agreed to provide TA support to the program through the provision of technical experts (in soil, technology, extension services etc.).

xv. TADB signed a Memorandum of Understanding (MoU) with World Food Programme (WFP) to support youth and women programs, to design and implement Climate Smart Agriculture projects.

> TADB signed a contract with FSDT giving a grant worth USD 600,000 to TADB

> IFAD agreed to covert the fund allocated to the RIF USD 4 m to the SCGS

> DANIDA agreed to finance various studies requested by the TADB

Partnerships for growth

For agriculture is indeed the foundation of all our progress – Mwl. Nyerere

African nations have a similar socio-economic agriculture footprint with smallholder farmers accounting for over 60% of the population and the sector contributing more than 20% to the GDP. It is a unanimously held view that Africa's agriculture potential remains untapped due to a number of investment requirements ranging from quality inputs, enabling infrastructure and access to markets. A report by McKinsey notes that Sub Saharan Africa has the potential to increase its output by 2-3 times if it intensified its productivity. The report highlights that few countries will account for a significant portion of the potential, namely, Ethiopia, Nigeria and Tanzania. Therefore, the involvement of all stakeholders is paramount to pushing the agriculture development agenda forward.

As the anchor institution, TADB has assumed the leading role in delivering credit facilities for the transformation of the agriculture sector from subsistence to commercialized farming. However, joint and well-coordinated efforts are required among actors such as: the government, private sector, financial institutions, development partners, and the farmers to enhance the sector's productivity and elevate its contribution to the economy.

There are many noble initiatives in the agriculture space that aim to accelerate inclusive development for the attainment of sustainable and equitable growth. TADB recognizes that partnerships are an instrumental catalyst for growth. In 2019, the bank continued to build strategic alliances having conducted nearly 200 engagements which resulted in collaborations for various crop value chain interventions, fund mobilization, technical assistance and capacity building.

Smallholder farmers accounting for over
60%
of the population

Directorate of Credit and Business

Jeremiah Mhada
Ag. Director, Credit and Business Department

71.1bn
trade services portfolio

Our loans grew from TZS 95.34 Billion to TZS 148.12 Billion where total loan disbursement for the year was

TZS 52.78 bn

In 2019, Credit and Business Department rolled out its new strategy focusing on the Acquisition and Maintenance by mapping opportunities and linking them with the broader TADB ecosystem, key strides were made through the implementation of the strategy on unlocking the Agriculture value chain.

Our loans grew from TZS 95.34 Billion to TZS 148.12 Billion where total loan disbursement for the year was TZS 52.78 Billion. TADB has now reached 22 regions from 16 regions reported on the previous year with 19 value chains funded.

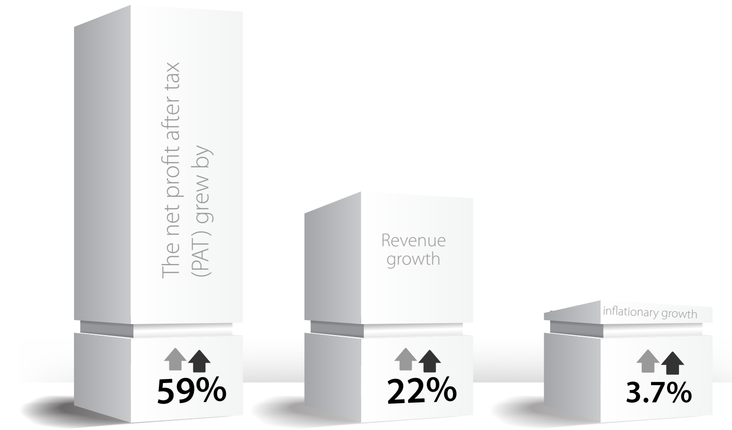
In supporting and aligning with the Government ASDP II Policy TADB has funded TZS 17 Billion in irrigation infrastructure and technology related projects, TZS 35 Billion to Agro – Processor value chains ranging from Sunflower, Palm, Maize, Diary, Meat and Paddy.

For the year 2020 our main focus areas are Small Holders Credit Guarantee Schemes (SCGS), Nucleus Farms, Input Farms, Mechanization, Trade Finance, Irrigation, Light Industries and Storage (Silos & Warehouses). Bank has targeted to grow its loan book to reach TZS 170 Billion by end of year 2020. Other targeted impacts include TZS 40.6 Billion input loans through SCGS, and funding 2 irrigation schemes, 5 small-scale irrigation projects, 1 CSA project, 100 mechanization equipment, 2 strategic storage warehouses, 5 medium scale silo projects, TZS 71.1 Billion trade services portfolio, TZS 28.5 Billion trade loans portfolio, 10 agro processing factories, 4 youth, and 3 women projects.

TADB has designed new products to cater for the Agriculture transformation, growth and impacts especially to Small holders. As a DFI, TADB is evolving to Project Design which will result into Integrated Value Chain Financing Model providing interlinkages in Production, Aggregation, Agro–Processing, Logistics to Markets and connecting these opportunities to the broader Bank Ecosystem.

Key Performance Highlights in 2019

Looking back from where we started, 2019 was the "take off" year' since the establishment of the Bank in 2015. The year 2019 was a rewarding year to the TADB in various ways from publishing the its first annual report 'Breaking the New Ground' to growing its operations and activities nationwide.



The loan portfolio of the bank grew significantly by 43 percent, with over TZS 59.67 Billion disbursed and more than two (2) million farmers impacted directly from the support provided. The growth has been remarkable in comparison to the figures the bank started with in 2016 that had only reached and impacted 15 AMCOS and farmers' associations with 1,777 smallholder farmers. With such growth, the bank has supported 17 value chains to about 22 regions; financing over 140 projects, with 19 projects supporting agro-industrialisation – where three (3) of these 19 projects are expected to be inaugurated soon.

Furthermore, during 2019 the bank opened two (2) zonal offices to cater for the Southern Highlands and Lake Zone cluster and onboarded 13 new staff to the vibrant team to support the bank's growth including positions of the Director of Finance and Funding, the Director of Research and Planning, the Head of Human Capital, a Credit Manager, a Business Development Manager, a Public Relation & Marketing Manager, and several other non-managerial positions

With such stellar performance and continued strong support from the Shareholders (Government of Tanzania) the bank fulfilled precedent conditions (CPs) and received a total of USD 46 Million, as the second tranche of long term concessional from AfDB. Furthermore, the bank received a total of ten million US dollars (10,000,000 US$) from IFAD for the second tranche of Smallholder Farmers Credit Guarantee Scheme (SCGS).

Despite the challenges the bank faced due to delays in re-appointment of the board, the net profit after tax (PAT) grew by 59% compared to the previous year much contributed by revenue growth of about 22% from the prior year, cost containment recording only inflationary growth of about 3.7% and lower credit provision.

Revenue growth of about 22% was attributed by Net Interest Income (NII) growth by 22% ahead of customer loan growth by 43% and the balance sheet growth ahead of the new funds' inflows from AfDB and IFAD as mentioned above. Moreover, Non-interest revenue grew by 23% driven by higher fees collected on managed funds, higher loans appraisal and processing fees, and higher foreign exchange (FX) sales revenue; the FX sales revenue was a new line of business.

Interest expenses grew by 15% from the prior year. This was attributed by an increase in long term borrowing ahead AfDB long term loan second tranche disbursement of about TZS 104 Bn in October 2019, and increase on short term special purpose deposit from TZS 200 Bn end of 2018 to TZS 630 Bn end of Dec 2019.

Expected credit losses increased by 255% from the prior year mainly due to the growth of the normal customers' loans book by 43%. The bank continued to maintain a quality book with Non-performing loans ratio closing at 1.79% - which is well below the central bank's threshold of 5% and the market ratio of around 8%.

Operating costs remained relatively stable growing only by 3.7% (almost the same as the inflation rate for 2019 which closed at 3.6%) from the previous year. This was mainly attributed by 13 hew headcounts - mostly at the senior levels – and by general business growth including the operationalisation of two new zonal offices. With revenue growth of 22% and cost containment, the bank recorded significant positive jaws of 19% compared to negative 5% recorded in 2018. Also, the cost to income ratio came down to 67.9% from 80% recorded in 2018.

The Return on average shareholders' fund increased to 4.5% from the 2.9% recorded in 2018, and the Return on average total assets (ROA) (excluding special loans) increased to 1.16% from 0.7% recorded in 2018 ahead of the increase in profitability driven by revenue growth, cost containment, and lower credit provisions.

TZS 52.78 bn disbursement of the total loans. Our loans grew from TZS 95.34 bn to TZS 148.12 bn

Key Performance Highlights in 2019

2 Zonal offices opened

over 2 million Cumulative Number of farmers impacted till 2019

140 Total projects

87% growth of loans to the agriculture sector

175,791 farmers impacted in 2019

17 Value chain supported

Key performance ratios

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

	Particulars	2019	2018
1	Return on average total assets (ROA)	0.45%	0.73%
2	Return on average shareholders' fund (ROE)	4.5%	2.9%
3	Non-interest income to net interest income	19.6%	19.4%
4	Interest expense to Interest income	9.8%	10%
5	Loans to Total Assets	76.3%	67.8%
6	Non-interest expense to gross income	67.87%	80.11%
7	Tier I Capital Adequacy Ratio	50%	88%
8	Non-performing loans ratio (NPL)	1.79%	2.18%

Key Business development milestones achieved during the financial year 2019

During the year 2019, the following key achievements were recorded:

- Approved loans worth TZS 59.67 Billion was disbursed. The loans disbursed benefited 175,791 smallholder farmers directly in the Njombe, Morogoro, Songwe, Iringa, Ruvuma, Rukwa, Manyara, Tanga, Mbeya, Shinyanga, Mtwara, Lindi, Kagera, Arusha, Dar es Salaam and Pwani areas. This makes a cumulative of 2,130,849 smallholder farmers who have benefited from TADB services directly since the Bank's official launch in 2015.
- The five subsectors of agricultural produce that were financed comprised of 13 value chains namely:
  1. Cereals (maize, paddy and sorghum),
  2. horticulture (vegetables and fruits),
  3. Forest Produce (Bee Keeping),
  4. Oil Seeds (Sunflower); and
  5. industrial commodities (sugarcane, coffee, cotton and cashews); livestock (dairy); and fisheries (fish farming);
- In supporting the government's effort to curb the post-harvest losses – which accounts for up to 40% of the agricultural produce annually - the bank financed the construction of five (5) warehouse in Mbeya, Njombe, Ruvuma, Arusha and Dar es Salaam.
- The Bank continued with efforts to develop large irrigation projects, viable out-growers projects and development of nucleus farm model countrywide. To this end, four big projects have been identified and are in different stages of implementation or development;
  a. A paddy irrigation project covering 2,050 acres in Busega (Simiyu) – development stage
  b. A barley, sorghum and maize value chains project supported by Global Agency Limited (Kagera) – under implementation
  c. A grapes irrigation project in Chamwino (Dodoma) covering 400 acres – under development stage

d. Bugwema Irrigation project in Mara – under development stage

e. Horticulture project (Onion) located in Rufiji – Pwani – under implementation

f. Horticultural project (Abe chill) located in Chamwino Dodoma – under implementation

- In the efforts to transform the agricultural sector from predominantly using hand hoes to relying on mechanization; the bank approved and disbursed a total of TZS 491.7 Million. The facility was disbursed to finance the purchase of a combine harvester, a tractor, and its accessories under paddy and horticulture value chain.
- The bank approved and disbursed TZS 23.2 Billion worth of loans for trade financing to facilitate coffee trading operations through three (3) apex farmer cooperative organizations namely: Ngara Farmers' Cooperative Society (NFCS), Kagera Cooperative Union (KCU) and Karagwe District Cooperative Union (KDCU).
- In its contribution to the government's industrialization agenda, during the period under report, the bank advanced loans amounting TZS 27.144 Billion to support eight (8) agro-processing projects in the Dairy, Paddy, Maize, Palm Oil, Sunflower and Sugar value chain.
- During 2019, a total of TZS 1.265 Billion was allocated to finance inputs for cotton, maize, horticulture, poultry, fish and fingerlings value chain.
- Key studies and research which were conducted included the following: -

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

The study is expected to highlight specific measures to support the 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;

b. Sunflower Progress Review in Tanzania

The study aims to understand how sunflower sector has responded to the changes of regulation and if the installed crushing and refining capacity for sunflower oil has increased in the country. The output of the study will set of policy recommendations to address barriers that are impending the continued growth of industrialization in the sunflower subsector in Tanzania.

c. Sisal Investment Opportunities in Tanzania

The study aimed to generate pertinent information that save the purpose of informing the bank on existing opportunities under in the Sisal industry.

Key Business Development milestones achieved

TZS 23.2 bn worth of loans for trade financing

175,791 farmers impacted in 2019

TADB successfully negotiated with financial institutions for the reduction of interest rate to the final borrowers without imposing any capped interest rate in the agreement.

6,132 smallholder farmers impacted directly, 103,128 impacted indirectly

The Small-holder Famers Credit Guarantee Scheme (SCGS) highlights of 2019

As of December 31st, 2019, TADB through its partner banks had managed to guarantee the disbursement of loans of up to approximately TZS 39.3 Billion (the guaranteed amount was TZS 19.6 Billion). These loans were mainly for farming inputs for primary production (55%), and financing off-takers (45%). Cumulatively, the Banks financed more than 6,132 smallholder farmers directly resulting in 103,128 indirect beneficiaries across the country.

Through this facility, 23 value chains/commodities were financed in 29 regions of Tanzania (mainland and Zanzibar), compared with 11 agriculture value chain previously reported in 23 regions; these value chains include paddy, maize, sunflower, sugarcane, coffee, cotton, horticulture, poultry, sisal, potatoes, livestock, Fishing, sesame, pulses, forestry, palm oil, tea, beans and other cereals.

The program is implemented through partner financial institutions such as NMB, TPB, CRDB, Stanbic, MUCOBA, Uchumi Commercial, FINCA and TACOBA, with nationwide branch networks proximity of these farmers. TADB has been having discussions with three (3) additional banks with regards to the signing of the SCGS contracts. These three (3) banks are Azania, Exim and Maendeleo Banks. We anticipate that before the end of second quarter this year (2020) the agreement will be signed with these banks. Furthermore, Bank of Africa, Equity Bank and Victoria Finance Plc., have shown interest in joining the scheme in the preceding quarter.

To support the scheme, TADB has conducted various programs to capacitate the partner banks including the development of an agriculture lending strategy for one of the banks. Moreover, TADB successfully negotiated with participating financial institutions individually for the reduction of interest rate to the final borrowers without imposing any capped interest rate in the agreement. For example, FINCA was able to reduce its interest rate charged to Agri-loans from 2.5% per month (30% p.a) to 2% per months (24% p.a), NMB Bank reduced interest rate to final borrowers from 19% to 17% annually, and TPB from 21% to 17%/18% annually.

After remarkable performance within a year, and attaining the required utilization of 75% of the first tranche of the funds of USD 10 Million, the disbursement of the second tranche of USD 10 million from IFAD was released towards the end of December 2019 increasing the facility to a total of USD 20 Million. As at 31st December 2019, there were no arrears as declared by the banks, and therefore no claims submitted to TADB during the period.

Key Projects financed in 2019

S/N	Client & Value chain	Cluster	Project Description
1	Grain Milling facility by a locally-owned firm. Value chain: Maize Location: Kibaha, Coastal	Eastern Zone	1) Purpose: Procurement and installation of modern maize storage in Kibaha. 2) Disbursed amount: TZS 1.93 billion for the project aimed at procurement and installation of modern maize storage in Dar es Salaam. 3) Beneficiaries: 200 smallholder farmers.
2	Dairy and beef cattle farm Value Chain: Dairy & beef Location: Korogwe Tanga	Northern Zone	1) Purpose: Infrastructure construction for Fisheries, beef cattle and Dairy project located at Korogwe Tanga. 2) Loan approved:Tzs 1,330,280,000 3) Disbursed amount: TZS 625.17 million to cover for infrastructure construction. 4) Beneficiaries: 2 smallholder farmers.
3	Sugar plantation, owned and operated by local entrepreneur. Value chain: Sugarcane Location: (Bagamoyo Coastal)	Eastern Zone	1) Purpose: To finance newly established sugar plantation in Bagamoyo. 2) Loan Amount involved: TZS 15 billions 3) Disbursed amount as at Dec 2019: TZS 5.782 billion. 4) Purpose: to part finance costs for nursery expansion, farming infrastructure development and purchase of irrigation equipment. 5) Beneficiaries: when completed at phase 2&3, the project will benefit more than 3460 smallholder farmers in the district
	Poultry meat processing facility. Value chain: Poultry Location: Mikocheni Dar es Salaam	Eastern Zone	1) Purpose: Capital Expenditure (CAPEX) loan for new facilities and working capital facility for an existing poultry processing plant in Dar es Salaam. 2) Loan amount: TZS 428.72 Beneficiaries:15 smallholder farmers.

S/N	Client & Value chain	Cluster	Project Description
	Meat Processing facility Value chain: Beef	Lake Zone	1) Purpose: To finance resumption of operations and expansion of a large-scale meat processing plant in Usagara - Mwanza. 2) Disbursed amount: TZS 8.57 billion. 3) Beneficiaries: 7,500 smallholder farmers.
	Establishment of PP woven bags for storage of grains and other commodities. Value chain: Paddy Location: Kahama, Shinyanga	Lake Zone	1) Purpose: To finance working capital and support purchase of Equipment and Machines for production of High-Density Polypropylene (HDPE/PP) woven Sacks. 2) Loan amount: 1.4 billion 3) Disbursed amount: TZS 920.6 million 4) Beneficiaries: 1,000 smallholder farmers
	Coffee Project (KCU, KDCU & Ngara Farmers' Co-Operative Society) Value chain: Coffee Location: Kagera region	Lake Zone	1) Purpose: Working capital to facilitate purchase and collection of dry cherry coffee from smallholder farmers, processing and selling of clean coffee in the season of 2019/2019. 2) Approved loan: TZS 30,760,000,000 3) Disbursed amount: TZS 30,760,000,000 4) Project Status: Project implementation is very successful as the season was closed and the association managed to collect a total of 51,844,754Kgs of Cherry coffee from Smallholder farmers and managed to repay the bigger potion of the loan which was issued. 5) Beneficiaries: 201,236 smallholder farmers from Kagera region.

Fostering Growth in Coffee

Supporting coffee cooperatives to transform the sub-sector.

Coffee accounts for about five per cent of Tanzania's of total exports by value and generates earnings averaging USD 100 million per year. The industry provides direct income to about 400,000 smallholders who produce 90 per cent of Tanzania's coffee.

Most of Tanzania's coffee is exported and local consumption is estimated at seven per cent of the total production. Tanzania Coffee Board (TCB) estimates that domestic coffee consumption is growing at an average of between 1.5 and 2 per cent per year due to a coffee-drinking culture that is gradually taking root in the urban and semi-urban areas.

The Government of Tanzania and coffee stakeholders continue to implement the strategic plan (2011- 2021) by supporting the coffee production and expansion program that involves increasing yields in existing farms and facilitating the private sector to start new farms. With continued efforts, the sector has the potential to increase the agriculture sector contribution to the GDP which currently stands at 28%, as well as improve the livelihood of small holder farmers.

Over the years, TADB has supported the coffee subsector by enabling coffee trading operations such as Ngara Farmers' Cooperative Society (NFCS), Kagera Cooperative Union (KCU) and Karagwe District Cooperative Union (KDCU).

Recognizing the critical role of cooperatives, the bank stepped in to resuscitate the operations of the NFCS whose activities were hampered by extreme debt and lack of funding. TADB set up an operating system and provided a low interest loan to the cooperative which enabled collection of 2300 tons of coffee from more than 500 smallholder farmers in Ngara district.

Since then, the cooperative has continued to record a satisfactory performance that has triggered additional support from the bank. At a meeting held between the bank and leaders of the cooperative, the team highlighted challenges to their operations which include the lack of transport facilities to enable them to reach their farmers and lack of adequate education in coffee crops which affects production.

The bank has committed to provide professional support to give seedling training to increase production. Additionally, 2 motorcycles will be provided to help the leaders reach their farmers easily.

TADB is keen to address the challenges facing the sector and come up with solutions to alleviate the barriers to growth. For the year 2020/2021, the bank will continue supporting the sector to boost the quality and general performance of the coffee production to 100,000 tonnes in the next four years.

Tanzania Coffee Board (TCB) estimates that domestic coffee consumption is growing at an average of between 1.5 and 2 per cent per year

Legal Services & Board Secretarial Services

Dr. Edson P. Rwechungura
Ag. Head, Legal Services and Board Secretarial Services

During the reporting year 2019, the Department of Legal Services and Board Secretariat has continued to discharge its mandates zealously, with view to define the department as, not only, a supporting function but also as an integral part in driving the Bank's strategy forward.

The Department has dispensed invaluable legal advice whenever called on to do so in respect of core business of the bank that is credit provision, as well as other related legal business. Increased keenness in the scrutinising credit proposals has improved the bank's consideration of legal aspects of credit facilities offered and has generally contributed to improvement of portfolio as well as reduction of risk. There was also tremendous development in terms of handling of legal documentation in both quality and execution times, leading to relatively shortened turnaround times for completion of loan processing.

Despite the expiry of the term of the Board of Directors in April 2019, the Department has endeavored to maximize the use of available avenues to keep acceptable standards of corporate governance, including working closely with the Permanent Secretary of the Ministry of Finance to make sure that issues affecting the Bank's business are done in compliance with existing legal and regulatory frameworks.

In 2020, the Department is looking forward to being more focused particularly on executing the Bank's annual action plan and being further entrenched in the operations of the bank as an integral part of the set-up of the Bank.

TADB Corporate Governance

1.0 Board Membership

During the year, the tenue of the board expired with effective date from 28 April 2019. As provided by section 39 of the Written Laws (Miscellaneous Amendments) (No.6) Act, 2019, the bank was under oversight of the Permanent Secretary Treasury (Permanent Secretary of Ministry of Finance and Planning) up to the date of this report.

The Directors of the bank who have served since 01 January 2019 up to 28 April 2019 are as follows:

S/N	Name	Position	Qualification	Age	Nationality
1.	Rosebud Violet Kurwijila	Chairperson	Masters' in Agricultural Economics; Master of Philosophy in Agricultural Development	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

1.1 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 Audit, Risk and Compliance Committee who have served since 01 January 2019 up to 28 April 2019 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

1.2 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 who have served since 01 January 2019 up to 28 April 2019 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

1.3 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 who have served since 01 January 2019 up to 28 April 2019 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
5	William Michael Mhoja	Member	Masters' Degree in Economic Policy Management.	50	Tanzanian

1.4 Meetings of the Board and its Committees

The Board held Two (2) ordinary meetings and Three (3) 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 28th April 2019.

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

1.4 Meetings of the Board and its Committees (Continued)

During these board meetings, various matters where discussed deliberated including among others the following:

- Setting, review and approval of the bank policies, strategies and action plans
- Review and approving bank's budget for the year 2019
- Making various corporate and operational decisions;
- Review of management performance and operations;
- Review and approval of various loans above management threshold
- Approving the bank's Financial Statements for the year 2018 and other quarterly publications

2.0 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.

3.0 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.

Role of the Permanent Secretary of Treasury (PST)

Having noted that the tenure of the Board of directors expired on 28th April 2019, and a new Board of Directors had not been appointed up until the date of preparation of this report, it is important to also note that the matters for which the Bank is required to refer to the Board for guidance or approval as the case may be, are now directed to the Permanent Secretary of Treasury. The PST derives this mandate to temporarily exercise powers of the Board of Directors under provisions of section 39 of the Written Laws(-Miscellaneous Amendments) Act,(No.6), Act No 13 of 2019 which amends section 54 of the Interpretation of Laws Act, Chapter 1 of the Laws of Tanzania. This is meant to ensure that corporate governance standards are upheld by the Bank in the highest manner possible.

4.0 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, the DFI Regulations and the Bank's 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;

5.0 Directors Remunerations

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

During the year the Bank paid directors' fees to all Board members that amounted to TZS 26.9 million and other Board expenses amounting to TZS 81.3 million.

6.0 Evaluation of the Board Effectiveness

The evaluation of the Board's performance 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.

7.0 Management Team

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

By the end of 31 December 2019, the 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
- Risk and compliance unit
- Internal audit unit
- Legal services and board secretarial services
- Human capital and administration 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; and
- Fraud Roundtable Committee.

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

Pending litigations, Claims and Assessments

At the year ended 31 December 2019, 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 (2018: TZ 658 Million) has been made.

Human Capital & Administration Unit

Mbonny Maumba

Head, Human Capital and Administration Unit

We recognize and highly value the contribution of our people in driving TADB's strategy. Given our broad mandates as the apex agricultural development finance institution in Tanzania, we focus on creating multi-disciplinary teams of enthusiastic, skilled and committed professionals capable of delivering and sustaining economy-wide impacts through targeted interventions in the agricultural and allied sectors.

Attracting talents remain one of the challenges for banking sector thus attraction, development and retention of the best talents is at the heart of our human capital development programs. Our 2019 Full Time Employee's headcount remained within the approved manpower plan; 10 new employees were on boarded to make a total of 75 enthusiastic and committed human capital with 39% of the entire workforce being women (an increase of 12% from that of 2018).

To stay ahead, we offered attractive incentives and opportunities for career and personal development for all staff in 2019 and we do strive to remain an employer of choice where work is enjoyable and fun yet engaging and intellectually challenging.

Employees' welfare

i) Management and Employees' Relationship

There is continued good relationship between employees and management for the year ended on 31 December 2019.

ii) 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 75 employees, out of which 29 were female and 46 were male, while in 2018 it had 71 employees, out of which 21 were female and 50 were male.

iii) Training Facilities

Implementation of Corporate training plan continued. In the 2019, the bank invested/ spent TZS 155 million (TZS 166 million) to thirty-three (33) staff who attended different training programs geared at imparting and sharpening their skills and knowledge in line with identified staff development gap.

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.

iv) 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.

v) 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.

vi) 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.

vii) 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.

viii) Employee Pension 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 75 (2018: 71).

Political and Charitable donations

During the year ended 31 December 2019 the bank donated TZS 37.7 Million to various organisations and programmes in the agriculture sectors by supporting crop boards, local government authorities and exhibitions across the country. In 2018, the bank spent TZS 30.9 Million.

TADB supports community-based initiatives that lead to income generation for the communities across the country. This involves defined support of specific SACCOS, AMCOs farmers and agricultural groups.

In attaining to socially-responsible behavior, TADB's business model includes financing agricultural projects that have social impacts, and uplift other smaller projects around the area – thus including projects that link the producers to suitable off-takers, value addition factories. Through this, the bank is in the support of local communities resulting in a multiplier effect in the improvements of socio-economic factors facilitated by TADB

Internal Audit Unit

Joyce K. Maduhu
Head, Internal Audit Unit

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.

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.

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; • 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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 audit 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 ISSAIs 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 (as amended in 2016) 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 (as amended in 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 (as amended in 2016) and its underlying Regulations (as amended in 2016).

Charles E. Kichere
CONTROLLER AND AUDITOR GENERAL

National Audit Office,
Dodoma, Tanzania.
31st March, 2020

CONTROLLER AND AUDITOR GENERAL

Risk and Compliance Unit

Kassim Bwijo
Ag. Risk and compliance unit

The Risk and Compliance is responsible for performing a centralised risk management and co-ordination function in the bank, it is responsible to ensure a high degree of compliance by the bank with regard to laws, rules, regulations as well as internal policies and procedures, in the course of carrying out the bank's business at all times.

The TADB bank as an apex agricultural sector financier in the country, the bank is exposed to a number of risks that may hinder smooth attainment of the set objectives and targets. Potential risks that may affect attainment of long-term plan objectives including Political Risks, Financial Risks, Operational Risks, Reputation Risks, market Risks and Strategic Risks. In 2020 agricultural sector has encountered number of challenges on its operations among them are; impact of covid-19, locust invasion, flooding in part of the country.

Divisions continue implementing an Effective risk management framework specifically directed at particular risks related to agriculture lending and other types of risks in operating a development finance institution to optimize its risk-return trade off, sustainable profitable performance by increasing the reliability of operations, building resilience, fostering innovation, value creation, promote risk culture to increase accountability, help Management and the Board to make an informed decision.

In year 2021 introduction of a new Core Banking System (CBS) to enhance integration, efficiency, and effectiveness in the TADB's operations.

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, Market Risk including interest risk and foreign exchange risk and 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 is developed and maintained on 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 on 31 December 2019 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.

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.

Directorate of Planning, Research and Policy

The Research Policy and Planning Directorate is responsible for conducting research on value chain analysis, economic analysis, product design & development and market infrastructure. The directorate coordinates formulation of strategic business and corporate action plans across the bank and ensures that requisite structures, systems and procedures are in place to execute the product development strategy.

During the year under review, the directorate coordinated research studies in collaboration with our partners in the research and policy advocacy space. In association with Dalberg Advisors, we conducted a study and published a paper on Sisal Investment Opportunities in Tanzania. The study aimed to explore challenges and existing opportunities along the sisal value chain and inform the bank on key entry points for lending and other interventions in sisal.

Another collaborative study done by Dalberg Advisors, Agriculture Non-State Actors Forum (ANSAF) and Agricultural Markets Development Trust (AMDT) with a paper on Sunflower Progress Review in Tanzania. The review aimed to assess the achievements attained thus far following tax incentives issued by the government in the 2017/2018 fiscal year to encourage industrial investment in the sunflower subsector.

In addition to the research works, the directorate conducted a number of value chain analyses and produced a number of policy briefs to inform policy at the national level.

Fostering Growth in Horticulture

Horticulture as a driver of agriculture transformation

Tanzania is well endowed with diverse horticulture crops ranging from tomatoes, cabbages, onions, avocados and torpical fruits which include mangoes, pineapples and papaya. Moreover, the country's coastal zone has an added advantage of producing fruits during the off season.

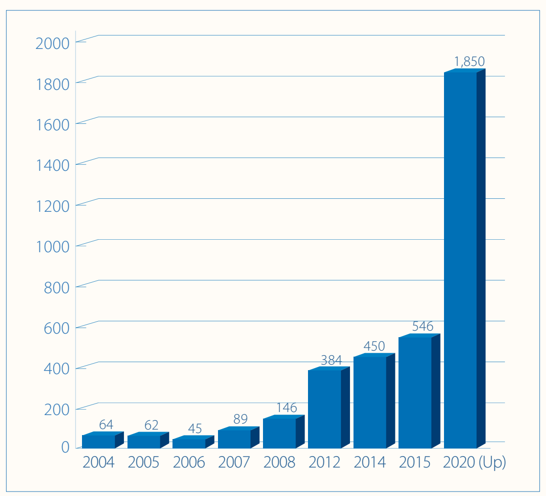
With an annual growth rate of 12% the industry is pegged as a strategic and catalytic driver of transforming agriculture and fostering economic development. It is also an area where significant milestones must be reached for Tanzania to continue to provide sufficient food for its growing population. Tanzania started exporting horticultural products in the 1950s with the production of bean seed for sale in Europe. Over the last 10 years, the horticultural industry has been one of the most dynamic agriculture sub-sectors of the country's economy. According to the Tanzania Horticultural Association (TAHA), the industry has earned the country more than USD 354 million per annum.

Horticulture has also been identified as one of the priority sectors in the ASDPII and a key component in the diversification of the agricultural sector from overdependence on traditional primary agricultural products.

Source TAHA

CONTRIBUTION OF HORTICULTURE IN TANZANIA

- Main contribution to foreign income earned from agriculture (38%)
- Rapid growth: US$ 545.5m in 2015 from US$ 64m in 2005
- Employs about 2.5 million people: 44m ha of arable land, only 6% utilized
- Food and Nutrition security
- Youth and women employment



Despite the ongoing efforts, the horticulture industry faces several universal challenges. These include a weak production base, limited access to long-term financing and investment, weak industry linkages, and insufficient awareness among Tanzanians about the economic and social potential for horticulture. How do we address these issues?

Addressing these challenges requires a greater degree of partnership between public and private actors. In 2010, the Tanzanian government launched the horticulture strategy 2012 -2021 aimed at creating strong partnerships with private sector stakeholders with the aim of reimagining the future of the horticulture industry in Tanzania.

In 2019 the bank's Smallholder Farmers Credit Guarantee Scheme (SCGS) disbursed TZS 56.33 billion in agricultural loans towards an array of crops including horticulture - over 60% of the loans were used to enhance productivity. The credit guarantee facility is administered by TADB in partnership with 11 financial institutions to improve access to lending for smallholder farmers and promotes lending to other value chain enterprises with strong linkage to farmers. Since its inception, the scheme has impacted over 7000 farmers in 26 regions. As a strategic driver of transformation, investements in horticulture will provide many opportunities for employment, technology suppliers, and knowledge institutes.

The Ministry of Agriculture has set an ambitious target to increase horticulture exports value to USD 3 billion in 2025, from the current USD 779 million. The effective implementation of partnership and coalitions will potentially enable the sub sector to be a major source of foreign currency earnings in the country.

OUR FINANCIAL POSITION

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 income poverty.

2.2 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.

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.

Innovativeness

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.

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.

2.3 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.

2.4 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.

2.5 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.

2.6 Related party transactions

All related party transactions and balances are disclosed in note 29 to these financial statements.

2.7 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.

2.8 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 2019, 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 transactions carried out during the year and underlying records provide a reasonable basis for the preparation of the financial statements for the year ended 31 December 2019.

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.

2.9 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:

Doto M. James

CHAIRPERSON

Date: 29/06/2020

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 Derick Lugemala 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 2019 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.

Signed By: ______________________

Position: Director of Finance

ACCA 2666976

Date: 29/06/2020.

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 31 DECEMBER 2019

Unqualified Opinion

I have audited the financial statements of the Tanzania Agricultural Development Bank (TADB), which comprise the Statement of financial position as at 31 December 2019 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.

In my opinion, the financial statements of the Tanzania Agricultural Development Bank (TADB) are fairly, present in all material respect, the financial position of the Bank as at 31 December 2019, 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 (ISSAI). 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 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 I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Fostering Growth in Fisheries

The Fisheries subsector in Tanzania supports livelihoods of many coastal shore people and those surrounded by rivers through supply of protein, income generation, employment creation and food security.

According to the 2016 Annual Fisheries Statistics report, the sector directly supports 203,529 people as fishers deriving their livelihood from various fishery resources. During the same period, more than 4 million people were indirectly working as traders, processors and suppliers.

Fisheries subsector contributed 1.7% share to the country's GDP in 2018. The subsector is mainly artisanal and faces a number of challenges that impede productivity and incomes. Such challenges include use of low capital and technology gears, lack of formally registered groups, impact of climate change, use of illegal fishing gears, inability to access international markets and lack of reliable and modern storage and drying facilities.

In recognition of challenges undermining the subsector, in 2019 TADB channelled a total of TZS 412.6 million in supports of inputs for production of fish and fingerlings in lake Victoria and TZS 737.4 million to support infrastructure development for aquaculture faming through construction of fishpond in Korogwe. In order to access species that are mostly demanded in EU market such as Tuna, the bank has prepared a high-level policy brief recommending government to procure a fishing vessel that can operates in exclusive economic zone (EEZ) in where traditional fishing gear cannot.

In 2019 TADB channelled a total of

TZS 412.6m

in support of inputs for production of fish and fingerlings in lake Victoria

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 TZS	2018 TZS
Interest Income	6	16,848,332,822	13,864,066,009
Interest Expense	7	(1,654,308,525)	(1,437,897,454)
Net Interest Income		15,194,024,297	12,426,168,554
Expected Credit Losses (ECL)	11	(1,771,340,652)	(498,650,201)
		13,422,683,645	**11,927,518,354**
Non-Interest Income			
Foreign Exchange Profit/(Loss)	9	101,397,150	580,908,104
Revenue Grants	23	817,570,834	797,879,370
Fees & Commission	8	2,044,505,235	1,022,841,193
Other Incomes	10	13,960,686	11,168,085
		2,977,433,905	**2,412,796,751**
Administrative expenses			
Salary and Benefits	12	7,028,681,844	6,707,720,609
Other Operating Expenses	13	5,305,100,732	5,180,278,911
		12,333,782,576	**11,887,999,520**
Operating Income before Tax		4,066,334,973	2,452,315,585
Income Tax Expense	14	(1,006,471,015)	(521,900,356)
Operating Income after Tax		3,059,863,958	1,930,415,229
Other Comprehensive Income		-	-
Total Comprehensive Income		**3,059,863,958**	**1,930,415,229**

The Notes on pages 32 to 78 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	2019 TZS	2018 TZS
ASSETS			
Cash and Bank Balances	17	109,254,240,079	50,046,283,870
Loans and Advances to Banks	18	112,356,123,221	70,014,381,596
Financial Investments	19	-	3,823,768,386
Loans and Advances to Customers	20	732,300,527,011	270,344,720,966
Property and Equipment	15	3,489,707,762	3,554,157,000
Intangible Assets	16	96,040,805	1,477,111
Other Assets	21	845,091,948	520,695,270
Deferred Tax Asset	22	1,121,984,753	497,922,285
TOTAL ASSETS		**959,463,715,579**	**398,803,406,484**
EQUITY & LIABILITIES			
EQUITY			
Share Capital	30	60,000,000,000	60,000,000,000
Retained Earnings		8,036,594,649	5,276,730,691
Capital Grants	23	1,000,003,242	1,817,574,076
		69,036,597,891	**67,094,304,767**
LIABILITIES			
Long-term Borrowing	27	208,439,739,577	103,978,018,782
Special Deposits	26	680,202,298,583	226,033,733,000
Tax Payables	14	188,809,181	382,602,194
Other Payables	24	1,596,270,346	1,314,747,741
Total Liabilities		**890,427,117,687**	**331,709,101,717**
TOTAL EQUITY AND LIABILITIES		**959,463,715,579**	**398,803,406,484**

The Notes on pages 32 to 78 form an integral part of these financial statements

The Financial statements and notes on pages 28 to 78 were approved by the Board of Directors on ...29/06... 2020 and signed on its behalf by:

Doto M. James ....

CHAIRPERSON MANAGING DIRECTOR

DATE ...29/06/2020.......................... DATE ...29/06/2020..........................

Kilimo kina BENKIKA

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMMBER 2019

	Share Capital TZS	Retained Earnings TZS	Capital Grants TZS	Total Equity TZS
Balance at 1 January 2018	60,000,000,000	4,922,159,525	2,615,453,445	67,537,612,970
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
Amortization of capital grant	-	-	(797,879,370)	(797,879,370)
Balance at 31 December 2018	**60,000,000,000**	**5,276,730,691**	**1,817,574,076**	**67,094,304,767**
Balance at 1 January 2019	60,000,000,000	5,276,730,691	1,817,574,076	65,276,730,691
Profit for the year	-	3,059,863,958	-	3,059,863,958
Amortization of capital grant	-	-	(817,570,834)	(817,570,834)
Divided paid	-	(300,000,000)	-	(300,000,000)
At 31 December 2019	**60,000,000,000**	**8,036,594,650**	**1,000,003,242**	**69,036,597,892**

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 TZS	2018 TZS
Cash Flows from Operating Activities:			
Income before taxation		4,066,334,973	2,452,315,585
Adjustments for: -			
Depreciation and amortization	15 &16	1,238,557,586	1,081,903,901
Capital Grant amortised	23	(817,570,834)	(797,879,370)
Foreign currency exchange (gain)	9	82,418,127	(580,908,104)
Impairment on loans and advances	11	1,771,340,652	525,950,682
Operating cash flow before working capital changes		6,341,080,505	2,681,382,695
Increase in Loans and Advances		(464,669,748,442)	(257,753,136,369)
Increase in Other Assets		(175,657,491)	4,978,691,484
(Increase/(Decrease) Other payables		281,522,077	67,299,853
Net Cash used in operating activities		(464,563,883,855)	(258,025,259,498)
Taxation paid	14 (b)	(1,824,327,496)	(217,120,000)
Net Cash used in operating activities		**(460,047,130,847)**	**(250,242,882,337)**
Cash Flow from Investing Activities:			
Purchase of property and equipment	15 &16	(1,268,688,544)	(1,326,658,146)
Net cash used in investing activities		**(1,268,688,544)**	**(1,326,658,146)**
Cash Flow from Financing Activities:			
Increase in Long term borrowing		104,461,720,795	(1,294,927,656)
Increase in Special Deposit		454,168,565,583	226,033,733,000
Dividend Payment		(300,000,000)	-
Net cash flows from financing activities		558,330,286,378	224,738,805,344
Net change in cash and cash equivalents		97,014,466,988	(26,830,735,139)
Cash and cash equivalents at beginning of the year		124,977,325,030	151,808,060,169
Cash and cash equivalents at end of the year	28	221,991,792,018	124,977,325,030

Fostering Growth in Cotton

The cotton sector in Tanzania has the Potential to Transformation in a huge National and Regional impact.

TZS 1B

to the local economy, and lifting

600,000

people out of poverty

According to the Ministry of Agriculture, the country has a strong opportunity to transform the cotton sector – potentially adding USD 1 billion to the local economy, and lifting 600,000 people out of poverty. Universal adoption of mechanization, coupled with tailored farming practices, would deliver this change.

Tanzania has already deployed multiple strategies to improve the sector's productivity and is targeting to become the leading producer of cotton in 2025 by increasing its yield to 1 million tonnes per year. Currently, over 70% of cotton produced is exported as lint which is a raw material for the textile industry. However, there are other parts of the cotton plant like the stalks, husks, cottonseed and short-staple fibres, which offers additional income-earning opportunities for cotton farmers and processors.

TADB has plans underway to invest in value addition of the cotton seed which will facilitate job creation. Cotton is exclusively a smallholder crop and there are over 500,000 smallholder cotton growers in Tanzania. The size of cotton farms averages 1.5 hectares with a yield of about 750 kg of seed cotton per hectare. In the year 2018/19 cotton yield grew by 34.9% becoming the second most-produced cash crop in the country. As the fourth-largest global producer of organic cotton, the country's cotton sub-sector has a high potential to increase revenue to the government through foreign exchange earnings, job creation, and poverty reduction. Support for the sector will also encourage the development of industries as the government continues to promote industrialization.

According to FAO, the global total demand for cotton is expected to reach 28.3 Mt in 2025, surpassing the historical consumption high of 2006 by 1.8 Mt, therefore Tanzania has the opportunity to tap into the growing demand by effectively utilizing the potential available in the cotton sub-sector.

Efforts have been made by multiple stakeholders to pilot mechanisms for transforming the sector in a way that enhances competitiveness and benefits the people. These include inputs supply and knowledge, value addition, access to new markets and reduced waste along the cotton value chain.

TADB financed inputs for cotton to over 16,000 farmers through the disbursement of TZS 13 billion to two cooperative unions; Kahama Cooperative Union and Chato Cooperative, to boost cotton farming in the lake zone area. Separately, TADB channeled a total of TZS 142.075 billion to finance aggregation, agro-processing and mechanization under coffee and cotton subsectors. Also, through AMCOS, the bank supported the purchase of 37 tractors to address the mechanization challenge that impacted 452,506 smallholder farmers.

Between 2018 and 2019 the bank's financial support contributed to the growth in production of cotton to 58.7% . It is anticipated that, if farmers continue to keep the same pace of production, the contribution of the cotton subsector will increase thus raising agriculture's share of GDP to the economy while improving the livelihood of smallholder cotton farmers.

The Bank purchase of 37 tractors to address the mechanization challenge that impacted 452,506 smallholder farmers.

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

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, other financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss (FVPL) and debt and equity instruments at fair value through other comprehensive income (FVOCI) all of which have been measured at fair value.

2.1 Statement of compliance

The financial statements of the bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

2.2 Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 4.4.

Financial assets and financial liabilities are generally reported gross in the statement of financial position except when IFRS netting criteria are met.

2.3 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.

2.4 Functional and presentation currency

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

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 EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

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

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

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

Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not typically include multiple performance obligations.

When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

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

3.3.1 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.

3.3.2 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.

3.3.3 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.

3.3.4 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 -accounting policies for financial instruments

3.4.1 Financial Asset

Under IFRS 9, Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

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

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

3.4.1.1 Financial assets at 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.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

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 to be minimal 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.

3.4.1.2 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).

All Financial assets, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

3.4.1.3 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.

3.4.1.4 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.

3.4.1.4 Impairment of financial assets (Continued)

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.

3.4.1.5 The calculation of ECL

The Bank calculates ECL based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the effective interest rate - EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

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. The mechanics of the ECL method are summarised below; -

Stage 1	When loans are first recognized, the Bank recognizes an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2. The 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
Stage 2	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 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

3.4.1.5 The calculation of ECL (Continued)

Stage 3 (Credit Impaired Assets)	A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The method is similar to that for Stage 2 assets, with the PD set at 100%. 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.
POCI - Purchased Or Originated Credit Impaired	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. The ECL allowance is only recognized or released to the extent that there is a subsequent change in the expected credit losses. The Bank only recognises the cumulative changes in lifetime ECL since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR.
Loan commitments and letters of credit	When estimating LTECL for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

Exposure at default was determined by considering the account stage, the number 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.

3.4.1.6 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

3.4.2 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

3.4.3 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.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset, Or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients

3.4.3 Derecognition of financial assets and liabilities (Continued)

- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset, Or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

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 Leases (Policy applicable before 1 January 2019)

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

Bank as a lessee

Leases that do not transfer to the Bank substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

Bank as a lessor

Leases where the Bank does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in Other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.6 Leases (Policy applicable as of 1 January 2019)

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

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a. Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are subject to impairment in line with the Bank's policy as described

3.6 Leases (Policy applicable as of 1 January 2019) (Continued)

Bank as a lessee (Continued)

b. Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.7 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 bank, 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

*Freehold land is not depreciated as it is deemed to have an infinite life.

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.

3.8 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.

3.9 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.

3.10 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.

3.11 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

3.12 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.

3.13 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.

3.14 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.

3.15 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.

3.16 Comparatives

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

3.17 New standards and interpretations

In these financial statements, the Bank has applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described on this notes discloser. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the Bank's financial statements.

The new and amended standards and interpretations are effective for annual periods beginning on or after 1 January 2019, unless otherwise stated. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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

3.17.1.1 IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Bank is the lessor. IFRS 16.62.

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Bank elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Bank applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Bank has lease contracts for various branches and IT equipment. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 3.6 for the accounting policy prior to 1 January 2019.

Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 3.6 for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Bank.

3.17.1.1 IFRS 16 Leases (Continued)

Leases previously accounted for as operating leases

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

The Bank also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 31 December 2019, because of on-going discussions on the bank merging/acquiring another bank, the main lease contract at the head office of the bank are coming to an end in March 2020 and all lease contracts for branches and ICT savers were assumed to end within a year and so no right of use assets was recognised.

3.17.1.2 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- 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
- How an entity considers changes in facts and circumstances

The Bank determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Bank applies significant judgement in identifying uncertainties over income tax treatments. Since the bank is operating only in Tanzania and have few products, tax uncertainties are limited and basing on that, the application of this standard did not have significant impact to the bank financial statements.

3.17.1.3 Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the 'SPPI' criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

Early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract. Where the prepayment is made at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, the Bank assesses the specific contractual cash flows for the relevant debt instruments in order to determine whether they meet the SPPI criterion. These amendments had no impact on the consolidated financial statements of the Bank.

3.17.1.4 IAS 19 Employee Benefits (amendments)

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.

3.17.2 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 2019 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 2019 and have not been applied in preparing these annual financial statements

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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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 revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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 Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.1. Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk.

These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

4.2. Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

4.3. 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.

4.4. 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.

4.5. Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

5. 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.

5.1. 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.

5.1.1. 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.

5.1.2. 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

5.1.3. 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.

Credit related commitments (Continued)

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.

5.1.3. Risk limit control and mitigation policies(Continued)

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.

5.1.4. Impairment and provisioning policies

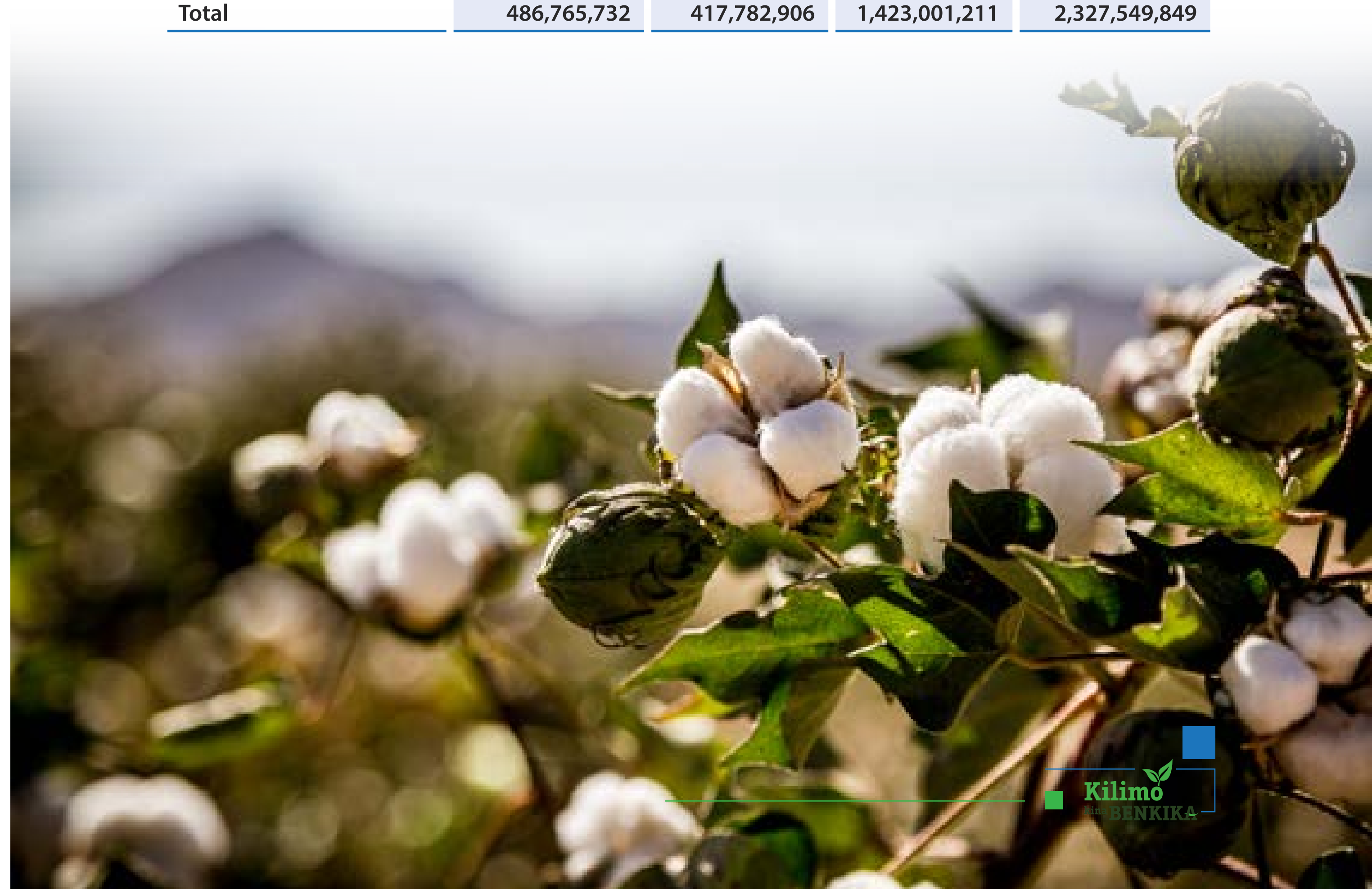
The impairment provisions shown in the statement of financial position at year end is calculated on the basis of the requirements of IFRS 9 where a 12-month ECL (Expected credit losses to occur in the next 12 months) and LECL (Lifetime Expected credit losses to occur over the remaining lifetime of the credit facility) have been calculated for the following products that the bank has and are measured at amortized cost: Loans and advances to customers, Staff loans, Loan and advances to banks, Balances with other banks, Government securities and Other financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of financial asset for credit risk related items, based on the Bank's credit rating system.

	Stage 1	Stage 2	Stage 3	Total
2019				
Term Loans to Customers	732,178,807,847	243,243,557	1,718,900,697	734,140,952,101
Staff loans	2,252,285,660		183,790,504	2,436,076,164
Loan to banks	112,573,133,942	-	-	112,573,133,942
Other assets in scope	235,479,367	-	-	235,479,367
Government Securities	-	-	-	-
Bank balances in scope	109,418,658,077	-	-	109,418,658,077
Total	956,658,364,893	243,243,557	1,918,128,135	958,819,736,585
2018				
Term Loans to Customers	264,101,389,516	4,282,692,746	885,739,324	269,269,821,586
Staff loans	1,989,004,125	-	86,063,462	2,075,067,587
Loan to banks	60,566,550,731	-	10,600,000,000	71,166,550,731
Other assets in scope	266,486,565	-	-	266,486,565
Government Securities	3,836,401,098	-	-	3,836,401,098
Bank balances in scope	50,056,774,299	-	-	50,056,774,299
Total	**380,816,606,334**	**4,282,692,746**	**11,571,802,786**	**396,671,101,866**

Below is the summary of provisions per category

	Stage 1	Stage 2	Stage 3	Total
2019				
erm Loans to Customers	1,869,676,328	3,772,604	1,718,900,697	3,592,349,629
Staff loans	173,775		121,588,201	121,761,976
Loan to banks	217,010,720	-	-	217,010,720
Other assets in scope	3,350,179	-	-	3,350,179
Government Securities	-	-	-	-
Bank balances in scope	164,417,998	-	-	164,417,998
Total	2,254,629,000	3,772,604	1,840,488,898	4,098,890,502
2018				
Term Loans to Customers	319,104,154	417,782,906	177,147,865	914,034,925
Staff loans	68,822	-	86,064,462	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
Total	**486,765,732**	**417,782,906**	**1,423,001,211**	**2,327,549,849**



5.2. Market risk

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

The market risks arising from trading and non-trading activities are concentrated in the Bank's treasury department and monitored regularly. Regular reports are submitted to the 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.

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.

Interest rate risk analysis

Contractual Maturity of undiscounted cash Flows of Financial Assets and Liabilities

	0 – 3 Months TZS	4 – 6 Months TZS	7 – 12 months TZS	Above 1 year TZS	Non-interest Bearing TZS	Total TZS
31 December 2019						
FINANCIAL ASSETS						
Cash & Banks balances	88,571,906,657	7,819,611,348	12,008,436,015	-	854,286,059	109,254,240,079
Loans to banks	58,829,964,317	50,892,597,260	2,633,561,644	-	-	112,356,123,221
Loans to Customers	43,980,180,785	635,785,023,180	6,052,937,982	46,482,385,064	-	732,300,527,011
Other Assets	-	-	-	-	235,479,367	235,479,367
Total	**191,382,051,758**	**694,497,231,788**	**20,694,935,641**	**46,482,385,064**	**1,089,765,426**	**954,146,369,677**
FINANCIAL LIABILITES						
Long term Borrowing	-	237,435,462	-	208,202,304,115	-	208,439,739,577
Other liabilities	-	-	-	-	1,596,270,346	1,596,270,346
Special deposits	197,204,686	630,000,000,000	-	49,490,246,884	-	680,202,298,583
Total	**197,204,686**	**630,237,435,462**	**-**	**257,692,550,999**	**1,596,270,346**	**890,238,308,506**
Maturity gap as at 31 December, 2019	**191,184,847,072**	**64,259,796,326**	**20,694,935,641**	**(211,210,165,935)**	**(506,504,920)**	**63,908,061,171**

	1 – 3 Months TZS	4 – 6 Months TZS	7 – 12 months TZS	Above 1 year TZS	Non-interest Bearing TZS	Total TZS
31 December 2018						
FINANCIAL ASSETS						
Cash & Banks balances	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	-	-	-	-	1,697,349,935	1,697,349,935
Special deposits	-	-	226,033,733,000	-	-	226,033,733,000
Total	**-**	**204,699,390**	**226,033,733,000**	**103,773,319,391**	**1,697,349,935**	**331,709,101,717**
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**

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:

	Carrying Amount TZS	Fair Value TZS
At 31 December 2019		
Financial assets		
Cash and bank balances	109,254,240,079	109,254,240,079
Loan to banks	112,356,123,221	112,356,123,221
Financial Investments	-	-
Loans and advances to customers	732,300,526,011	732,300,526,011
Other assets	845,091,946	845,091,946
	954,755,981,257	**954,755,981,257**
Liabilities		
Long term borrowing	208,439,739,577	208,439,739,577
Special Deposits/funds	680,202,298,583	680,202,298,583
Tax payables	188,809,181	188,809,181
Other payables	1,596,270,346	1,596,270,346
	890,427,117,687	**890,427,117,687**
Net Financial Asset	**64,404,659,426**	**64,404,659,426**

	Carrying Amount TZS	Fair Value TZS
At 31 December 2018		
Financial assets		
Cash and bank balances	50,046,283,871	50,046,283,871
Loan to banks	70,014,381,596	70,014,381,596
Loans and advances to customers	270,344,720,966	270,344,720,966
Other assets	235,479,367	266,486,565
	390,640,865,800	**390,671,872,998**
Liabilities		
Long term borrowing	103,978,018,782	103,978,018,782
Special Deposits/funds	226,033,733,000	226,033,733,000
Tax payables	382,601,667	382,601,667
Other payables	1,314,748,269	1,314,748,269
	331,709,101,718	**331,709,101,718**
Net Financial Asset	**58,931,764,082**	**58,931,764,082**

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.

5.4. 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.

5.4. Liquidity risk (Continued)

The table below analyses the contractual maturity structure of the Bank's assets and liabilities as at 31 December 2019.

Liquidity risk analysis

Contractual Maturity of undiscounted cash Flows of Financial Assets and Liabilities

	0 – 3 Months TZS	6 – 6 Months TZS	7 – 12 months TZS	Above 1 year TZS	Total TZS
31 December 2019					
FINANCIAL ASSETS					
Cash and balances with Banks in Tanzania	89,426,192,716	7,819,611,348	12,008,436,015	-	109,329,810,719
Loans to banks	58,829,964,317	50,892,597,260	2,633,561,644	-	112,280,552,580
Loans to Customers	43,980,180,785	635,785,023,180	6,052,937,982	46,482,385,064	732,300,527,011
Other Assets	235,479,367	-	-	-	235,479,367
Total	**192,471,817,184**	**694,497,231,788**	**20,694,935,641**	**46,482,385,064**	**954,146,369,677**
FINANCIAL LIABILITES					
Long term Borrowing	-	237,435,462	-	208,202,304,115	208,439,739,577
Other liabilities	937,479,626	-	-	658,790,720	1,596,270,346
Special deposits	197,204,686	630,000,000,000	-	49,490,246,884	680,202,298,583
Total	**1,134,684,312**	**630,237,435,462**	**-**	**258,351,341,719**	**890,238,308,506**
Maturity gap as at 31 December, 2019	**191,337,132,872**	**64,259,796,326**	**20,694,935,641**	**(211,868,956,655)**	**63,908,061,171**

	1 – 3 Months TZS	4 – 6 Months TZS	7 – 12 months TZS	Above 1 year TZS	Total TZS
31 December 2018					
FINANCIAL ASSETS					
Cash and balances with Banks in Tanzania	50,046,283,871	-	-		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	**97,383,237,266**	**4,922,624,197**	**161,792,466,647**	**130,130,826,709**	**394,229,154,819**
FINANCIAL LIABILITES					
Long term Borrowing	-	204,699,390	-	103,773,319,391	103,978,018,782
Other liabilities	1,697,349,935	-	-	-	1,697,349,935
Special deposits	-	-	226,033,733,000	-	226,033,733,000
Total	**1,697,349,935**	**204,699,390**	**226,033,733,000**	**103,773,319,391**	**331,709,101,717**
Maturity gap as at 31 December, 2018	**95,685,887,331**	**4,717,924,807**	**(64,241,266,353)**	**26,357,507,318**	**62,520,053,102**

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

	2019 TZS	2018 TZS
6. Interest Income		
Interest on Loan & Advances to customers	8,408,385,840	3,394,247,298
Interest on Staff Loans	139,109,786	107,855,755
Interest on Treasury Bills	163,598,902	98,708,512
Income from Call Account	1,272,417,529	1,563,775,133
Interest from Interbank Placement	6,864,820,765	8,699,479,310
Total	**16,848,332,822**	**13,864,066,009**
7. Interest Expenses		
Interest expenses on long-term borrowings	1,358,870,168	1,437,897,454
Interest expenses on short-term deposits	295,438,357	-
Total	**1,654,308,525**	**1,437,897,454**
8. Fees & commissions		
Loans processing & Appraisal fees	833,726,890	561,889,627
Fund management fees	1,075,000,000	460,951,566
Guarantee fees	135,778,345	-
Total	**2,044,505,235**	**1,022,841,193**
9. Foreign Exchange Profit/(Loss)		
Foreign exchange revaluation gain (loss)	18,979,023	580,908,104
Foreign exchange sales revenue	82,418,127	-
Total	**101,397,150**	**580,908,104**
10. Other Incomes		
Tender document fees	7,564,076	6,685,822
Commission from Insurance	6,396,610	4,482,263
Total	**13,960,686**	**11,168,085**

	Balance sheet ECL - 2019 TZS	Balance sheet ECL - 2018 TZS	ECL movement (PnL) - 2019 TZS
11. Loan Impairment charges			
As at 31 December 2019			
Customer loans			
Stage 1	1,873,448,932	319,104,154	1,554,344,778
Stage 2	-	417,782,906	(417,782,906)
Sub Total	**1,873,448,932**	**736,887,060**	**1,136,561,872**
Stage 3 (NPL)	1,718,900,697	177,147,865	1,541,752,832
Total (Customer loans)	**3,592,349,629**	**914,034,925**	**2,678,314,704**
Staff loans			
Stage 1	173,775	68,822	104,953
Stage 2	-	-	-
Sub Total	**173,775**	**68,822**	**104,953**
Stage 3 (NPL)	121,587,202	86,063,462	35,523,740
Total (Staff Loans)	**121,760,976**	**86,132,284**	**35,628,692**
Other Financials Assets			
Loan to banks	217,010,720	1,152,169,134	(935,158,414)
Government Securities	-	12,632,713	(12,632,713)
Bank balances - IFRS 9 scope	164,417,998	10,490,429	153,927,569
Other Financial assets	3,350,179	152,089,364	(148,739,186)
Sub Total	**384,778,897**	**1,327,381,641**	**(942,602,744)**
Grant Total	**4,098,889,503**	**2,327,548,850**	**1,771,340,652**

	Balance sheet ECL - 2018 TZS	Balance sheet ECL - 2017 TZS	ECL movement (PnL) - 2018 TZS
11. Loan Impairment charges (Continued)			
As at 31 December 2018			
Customer loans			
Stage 1	319,104,154	474,205,834	(155,101,680)
Stage 2	417,782,906	-	417,782,906
Sub Total	**736,887,060**	**474,205,834**	**262,681,226**
Stage 3 (NPL)	177,147,865	-	177,147,865
Total (Customer loans)	**914,034,925**	**474,205,834**	**439,829,091**
Staff loans			
Stage 1	68,822	11,692	57,130
Stage 2	-	-	-
Sub Total	**68,822**	**11,692**	**57,130**
Stage 3 (NPL)	86,063,462	-	86,063,462
Total (Staff Loans)	**86,132,284**	**11,692**	**86,120,592**
Other Financials Assets			
Loan to banks	1,152,169,134	1,235,519,263	(83,350,128)
Government Securities	12,632,713	-	12,632,713
Bank balances - IFRS 9 scope	10,490,429	19,914,848	(9,424,419)
Other Financial assets	152,089,364	99,248,012	52,841,352
Sub Total	**1,327,381,641**	**1,354,682,122**	**(27,300,482)**
Grant Total	**2,327,548,850**	**1,828,899,649**	**498,649,201**

	2019 TZS	2018 TZS
12. Salaries and Benefits		
Wages, salaries and allowances	4,942,464,610	4,647,392,846
Social Security cost	441,560,627	420,787,425
Skills development levy	214,567,473	197,418,394
Workman's Compensation fund	23,840,830	23,752,867
Employment benefits	418,773,654	534,989,703
Medical Insurance	246,885,343	224,404,188
Leave & Transfer cost	491,785,490	384,241,999
Training cost	155,037,509	166,129,342
Other employment cost	93,766,307	108,603,844
Total	**7,028,681,843**	**6,707,720,609**
13. Other Operating Expenses		
Occupancy & Utilities cost	1,457,474,804	1,642,312,561
Depreciation	1,238,557,586	1,081,903,901
Travels & Business monitoring cost	739,171,025	678,209,943
Marketing and Advertising expenses	555,602,530	457,507,050
Audit Cost	77,894,785	72,000,000
Legal & Consulting cost	383,227,553	138,400,242
ICT Cost	140,269,136	142,396,211
Communication expenses	163,867,164	90,168,249
Board meeting expenses	81,279,546	157,955,594
Directors' Fees	26,958,339	91,999,995
Motor vehicle & repair and maintenance cost	216,572,062	133,018,203
Insurance	60,428,898	71,787,864
Printing and Stationery	20,515,010	82,647,390
Credit Guarantee charges	91,062,284	46,516,617
Other cost	52,220,010	293,455,091
Total	**5,305,100,732**	**5,180,278,911**

	2019 TZS	2018 TZS
14. Income Tax		
a. Income Tax Expenses		
Current Income Tax	1,630,533,483	699,569,502
Deferred income tax - current year (note 18)	(624,062,468)	(177,669,146)
	1,006,471,015	**521,900,356**

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

Profit before income tax	4,066,334,973	2,452,315,585
Tax calculated at the statutory Income tax rate 30%	1,219,900,492	735,694,676
Effects of non-qualifying capital allowances	-	-
Permanently disallowed expenditures	31,841,773	25,569,492
Income not subject to tax	(245,271,250)	(239,363,811)
Income tax as per Income statement	**1,006,471,015**	**521,900,356**
b. Income Tax payable (recoverable)		
At beginning of the year	382,602,194	(99,847,308)
Current year income tax	1,630,533,483	699,569,502
Tax paid during the year	(1,824,327,496)	(217,120,000)
At end of the year	**188,808,181**	**382,602,194**

15. PROPERTY AND EQUIPMENT

	Computers Electronic Equipment TZS	Office Equipment TZS	Furniture & Fixtures TZS	Motor vehicles TZS	Leasehold Improvements TZS	Total TZS
COST						
01 January 2019	2,766,457,191	319,365,489	749,623,980	689,943,656	738,486,529	5,263,876,845
Additions:	94,495,496	282,661,170	5,234,451	530,967,493	253,642,432	1,167,001,042
31 December 2019	**2,860,952,687**	**602,026,659**	**754,858,431**	**1,220,911,149**	**992,128,961**	**6,430,877,887**
DEPRECIATION						
01 January 2019	943,384,172	47,282,595	101,187,326	452,147,264	165,718,489	1,709,719,846
Charge for the year	674,186,078	56,664,881	93,691,092	201,067,285	205,840,943	1,231,450,279
At 31 December 2019	**1,617,570,250**	**103,947,476**	**194,878,418**	**653,214,549**	**371,559,432**	**2,941,170,125**
NET BOOK VALUE						
31 December 2019	**1,243,382,437**	**498,079,183**	**559,980,013**	**567,696,600**	**620,569,530**	**3,489,707,762**
31 December 2018	**1,823,073,019**	**272,082,894**	**648,436,655**	**237,796,392**	**572,768,040**	**3,554,157,000**

	2019 TZS	2018 TZS
16. Intangible assets		
Cost		
At the beginning of the period	24,283,722	24,283,722
Additions during the period	101,671,001	-
Balance at the end of the period	**125,954,723**	**24,283,722**
Amortisation		
At the beginning of the period	22,806,611	16,752,314
Amortisation during the period	7,107,307	6,054,297
Balance at the end of the period	**29,913,918**	**22,806,611**
NET BOOK VALUE	**96,040,805**	**1,477,111**
17. Cash and Bank Balances (Placements)		
Cash with Central Bank	172,345,767	7,662,839,737
Cash in operating accounts	6,629,905,488	1,571,847,193
Call Deposits	82,706,457,040	39,597,087,369
Cash cover in other banks	19,909,949,782	1,225,000,000
Total	**109,418,658,077**	**50,056,774,299**
IFRS 9 Credit provisions	(164,417,998)	(10,490,429)
Net cash & Banks	**109,254,240,079**	**50,046,283,870**
18. Loans and advances to Banks		
Placements with other banks	110,703,315,068	68,200,000,000
Accrued interest on placements	1,869,818,874	2,966,550,731
Total	**112,573,133,942**	**71,166,550,731**
Credit provisions on Placements	(217,010,721)	(1,152,169,134)
Net loans to banks	**112,356,123,221**	**70,014,381,596**

	2019 TZS	2018 TZS
19. 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 Financial Investments	**-**	**3,823,768,385**
20. Loans and advances to customers		
Advances to customers (gross)	728,488,895,807	267,145,206,147
Accrued interest receivable	5,652,056,294	2,124,615,439
Total Gross loans	**734,140,952,101**	**269,269,821,586**
Less: Credit provisions on loans & advances	(3,592,349,629)	(914,034,925)
Interest In-suspense	(226,239,845)	-
Net Loans to customers	**730,322,362,627**	**268,355,786,662**
Loans and Advances to staff	2,417,061,391	2,075,067,587
Accrued interest on staff loans	19,014,773	-
Staff loans fair valuation adjustment	(336,150,804)	-
	2,099,925,360	**2,075,067,587**
Less: IFRS Credit provisions	(121,761,976)	(86,133,283)
Net Loans to staff	1,978,163,384	1,988,934,304
Total net loans and advances	**732,300,526,011**	**270,344,720,966**
Gross Loans		
Advances to customers (gross)	728,488,895,807	267,145,206,147
Loans and Advances to staff (gross)	2,417,061,391	2,075,067,587
Accrued interest on customer loans	5,671,071,067	2,124,615,439
Total Gross Loans	**736,577,028,265**	**271,344,889,173**

20. Loans and advances to customers (Continued)

Segmental analysis – geography

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

	2019 TZS	2018 TZS
Southern Coast Cluster	665,062,237,374	231,951,549,589
Lake Zone Cluster	46,856,592,198	28,799,833,421
Eastern Cluster	13,653,600,338	3,228,763,534
Southern Highlands	5,241,951,204	2,683,668,300
Central Cluster	2,531,495,275	2,349,984,382
Northern Cluster	425,541,506	256,022,360
Western Zone	213,253,922	-
Zanzibar Cluster	156,280,284	-
Grand Total	**734,140,952,101**	**269,269,821,586**

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 2018/2019. By the end of the year, the bank had disbursed TZS 630Bn to facilitate this transaction. Significant portion of these loans were settled/repaid early 2020.

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.

	2019 TZS	2018 TZS
Cashew nuts	665,062,237,374	231,951,549,589
Coffee	16,315,684,309	19,746,372,672
Sorghum	11,734,628,660	8,256,258,285
Beef	9,228,167,254	-
Sugarcane	6,940,718,539	1,558,061,997
Maize	6,237,363,659	2,304,227,966
Cotton	6,141,395,286	-
Paddy	3,812,365,103	1,237,870,266
Sunflower	3,157,489,770	
Diary	1,830,416,751	1,161,151,231
Fishing	1,183,585,695	115,714,371
Poultry	661,620,797	-
Tomato	430,656,842	290,119,975
Avocado	371,524,006	350,278,668
Palm Oil	213,253,922	-
Onions	141,829,994	116,423,442
Irish Potatoes	101,413,563	351,351,980
Honey	65,561,088	21,003,564
Others	511,039,489	1,809,437,58
Grand Total	**734,140,952,101**	**269,269,821,586**

21. Other Assets

	2019 TZS	2018 TZS
Prepayments	612,962,758	406,298,070
Other receivables	235,479,367	266,486,565
Total	**848,442,125**	**672,784,634**
Credit provisions on other assets	(3,350,179)	(152,089,364)
Net closing value	**845,091,946**	**520,695,270**

22. 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; -

The credit to other comprehensive income (OCI) in 2018 was attributed to IFRS 9-day one adjustment through other comprehensive income

	2019 TZS	2018 TZS
Accelerated depreciation for tax purpose	358,941,327	667,808,901
Credit provisions on financial assets	(4,098,890,502)	(2,327,549,849)
Total giving to deferred tax	(3,739,949,175)	(1,659,740,948)
Deferred tax (Assets)/liability thereof	**(1,121,984,753)**	**(497,922,284)**
The movement in deferred tax during the year is as follows:		
Opening deferred tax (Assets)/liability	(497,922,285)	(233,178,882)
Charge/(credit) to profit and loss	(624,062,468)	(177,669,146)
Charge/(credit) to other OCI	-	(498,875,496)
(Under)/over provision in prior years	-	411,801,239
Closing deferred tax (Assets)/liability	**(1,121,984,753)**	**(497,922,285)**

23. Capital Grant

During the financial year 2017, the Bank received fund from Marketing Infrastructure, Value Addition and Rural Finance Support Programme (MIVARF) for system upgrades, motoring of various bank's projects and capacity building to the banks in respect of its Rural financing Innovation, product development and youth and women interventions. The capital Grant account at the end of 2019 was as follows:

	2019 TZS	2018 TZS
I January	2,615,453,445	2,615,453,445
Additional grants received	-	-
Total	**2,615,453,445**	**2,615,453,445**
Amortized as Follows:		
At the begging of the period	1,817,574,076	2,615,453,445
Current year amortisations	(817,570,834)	(797,879,369)
31 December	**1,000,003,242**	**1,817,574,076**

24. Payables and Accruals

Accrued staff benefits	946,078,513	850,625,520
Suppliers & accruals	476,317,635	464,122,221
Deferred income - Guarantee fees	173,874,198	-
Total	**1,596,270,346**	**1,314,747,741**

25. Impairment provision under IFRS 9

Term Loans to Customers	3,592,349,629	914,034,925
Staff loans	121,760,976	86,133,284
Bank Placements	292,581,361	1,152,169,134
Government Securities	-	12,632,713
Bank balances in scope	88,847,358	10,490,429
Other assets in scope	3,350,179	152,089,364
Total	**4,098,889,503**	**2,327,549,849**

	2019 TZS	2018 TZS
26. Special Deposits/funds and managed funds		
Cash cover deposits from customers	379,865,645	-
FSDT fund	460,038,000	-
AGRA Fund	1,435,312,463	1,397,693,000
RIF Fund	2,202,020,537	2,239,640,000
SCGS Funds	45,473,048,239	22,396,400,000
Short-term special purpose deposits	630,252,013,699	200,000,000,000
Total	**680,202,298,583**	**226,033,733,000**

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 2018. The fund is worth US$ 5 million, first tranche of US$ 1 million was received in January 2019.

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 was received in November 2019 after the bank reaching the desired utilisation of the first tranche of 75%.

As of December 31st 2019, TADB through its partner banks had managed to guarantee the disbursement of loans of up to approximately TZS 39.3 Billion (the guaranteed amount was TZS 19.6Billion). These loans were mainly for farming inputs for primary production and off takers. Cumulatively the Banks had financed to more than 6,132 direct small holder farmers and 103,128 indirect beneficiaries across the country with a significant portion of the loan on production, about 55%.

Short-term special purpose 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 2018/2019. In order to facilitate this transaction, the bank mobilized additional short-term deposits/funding from various organization of about TZS 430Bn to reach to TZS 630bn up to the end of year 2019. These deposits will be liquidated once the entire transaction is finalised all payments to farmers are concluded.

27. Long-Term Borrowings

	2019 TZS	2018 TZS
Loan from AfDB	208,202,304,115	103,773,319,392
Accrued Interest on borrowings	237,435,462	204,699,390
Total	**208,439,739,577**	**103,978,018,782**

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 208 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 in July 2017. In 2019, the bank fulfilled all conditions precedent (CPs) for second tranche disbursement which included Process and system improvements, rolling out of the core banking system and utilisation of the first tranche hence received the second tranche of TZS 104,428,984,723 in October 2019. The conditions precedent met included; -

27. Long-Term Borrowings (Continued)

Process and system improvement.

In 2019 the bank engaged 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 entails, 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.

Information Technology (IT).

The bank finalised the procurement of the core banking system in 2019 for supply, installation and configuration of the system. By the end of the year, the implementation of the system was at 85% and it is expected to go live early 2020.

Progress in utilization of the 1st tranche of funds.

The bank recorded 100% utilization rate of the first tranche of the AfDB funds having disbursed more than TZS 103 billion worth of loans, cumulative, as at 31st March 2020 over and above the TZS 50 billion disbursement target set forth by the AfDB's during the annual Supervision Mission of April 2018.

28. 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 are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Investments normally only qualify as cash equivalent if they have a short maturity of three months or less from the date of acquisition. Financial instruments can only be included if they are in substance cash equivalents, eg debt investments with fixed redemption dates that are acquired within three months of their maturity. During the year ended 31 December 2019, cash and cash equivalents comprise of the following:

	2019 TZS	2018 TZS
Cash and Bank	109,418,658,077	50,056,774,299
Loans to banks (Interbank placements)	112,573,133,942	71,166,550,731
Investment in Government Securities	-	3,754,000,000
Total	**221,991,792,019**	**124,977,325,030**

29. Related Party's Transactions

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

a. Due from related parties

	2019 TZS	2018 TZS
Loans and advances to senior management	**597,506,662**	**393,757,488**

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:

	2019 TZS	2018 TZS
Salaries for key management staff	2,296,175,608	1,877,746,331
End of the term allowance	101,815,429	163,399,233
Total	**2,397,991,037**	**2,041,145,564**

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

30. Share Capital

The bank's authorised and fully paid up share capital for the year ended 31 December 2019 is as follows:

		2019 TZS	2018 TZS
Authorized:			
800,000,000 Ordinary shares of 1,000 each	TZS	800,000,000,000	800,000,000,000
Issued and fully paid up:			
60,000,000 Ordinary shares of 1,000 each	TZS	60,000,000,000	60,000,000,000

31. 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.

32. 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

	2019 TZS	2018 TZS
Share Capital & Reserves		
Cash and Bank balances	-	109,254,240,079
Loans to banks	-	112,356,123,221
Advance Toward Share Capital	60,000,000,000	60,000,000,000
Retained Earnings	8,036,594,650	5,276,730,691
Capital Grants	1,000,003,242	1,817,574,076
	69,036,597,892	67,094,304,767
Less:		
Pre-paid expenses	(612,962,758)	(2,012,653,903)
Deferred tax & Tax Assets	(1,121,984,753)	(497,922,285)
	(1,734,947,512)	(2,510,576,188)
Total Available Capital	67,301,650,380	64,583,728,579
Risk weighted assets	133,716,214,490	73,282,532,441
Capital Adequacy ratio	50%	88%

33. 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	Level3 TZS	Total TZS
31-Dec-18				
Financial assets				
Cash and Bank balances	-	109,254,240,079	-	109,254,240,079
Loans to banks	-	112,356,123,221	-	112,356,123,221
Loans and advances	-	732,300,527,011	-	732,300,527,011
Other assets	-	235,479,367	-	235,479,367
Total	-	954,146,369,678	-	954,146,369,678
Financial Liabilities				
Other Liabilities	-	890,444,677,128	-	890,444,677,128

	Level 1 TZS	Level 2 TZS	Level3 TZS	Total TZS
31-Dec-18				
Financial assets				
Cash and Bank balances	-	50,046,283,871	-	50,046,283,871
Loans to banks	-	70,014,381,596	-	70,014,381,596
Loans and advances	-	270,344,720,966	-	270,344,720,966
Other assets	-	266,486,565	-	266,486,565
Total	-	390,671,872,998	-	390,671,872,998
Financial Liabilities				
Other Liabilities	-	332,240,995,924	-	332,240,995,924

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.

34. 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 2019.

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:

	2019 TZS	2018 TZS
Not later than one year	-	1,285,306,763
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

34. Commitments And Contingent Liablities(Continued)

Legal claims

At the year ended 31 December 2019, 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 (2018: TZ 658 million) has been made.

Capital commitments

The Management certifies that there was no capital commitment as at 31 December 2019.

35. 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

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