Integrated Annual Report 2020

TADB

"The Farmers' Bank"

Contacts

4th Floor, Acacia Estate Building,
Plot 84 - 14109 Kinondoni, Kinondoni Rd.,
P. O. Box 63372,
Dar es Salaam, Tanzania.
Tel: +255 22 2923500
Toll Free Line: 0800 110 120
E-mail: info@tadb.co.tz

EASTERN ZONE

Accacia Estate Building
4th Floor Kinondoni,
Kinondoni Road.
Box 63372 DSM, Tanzania.
+255 22 2923500
0800 110 120
info@tadb.co.tz

CENTRAL ZONE

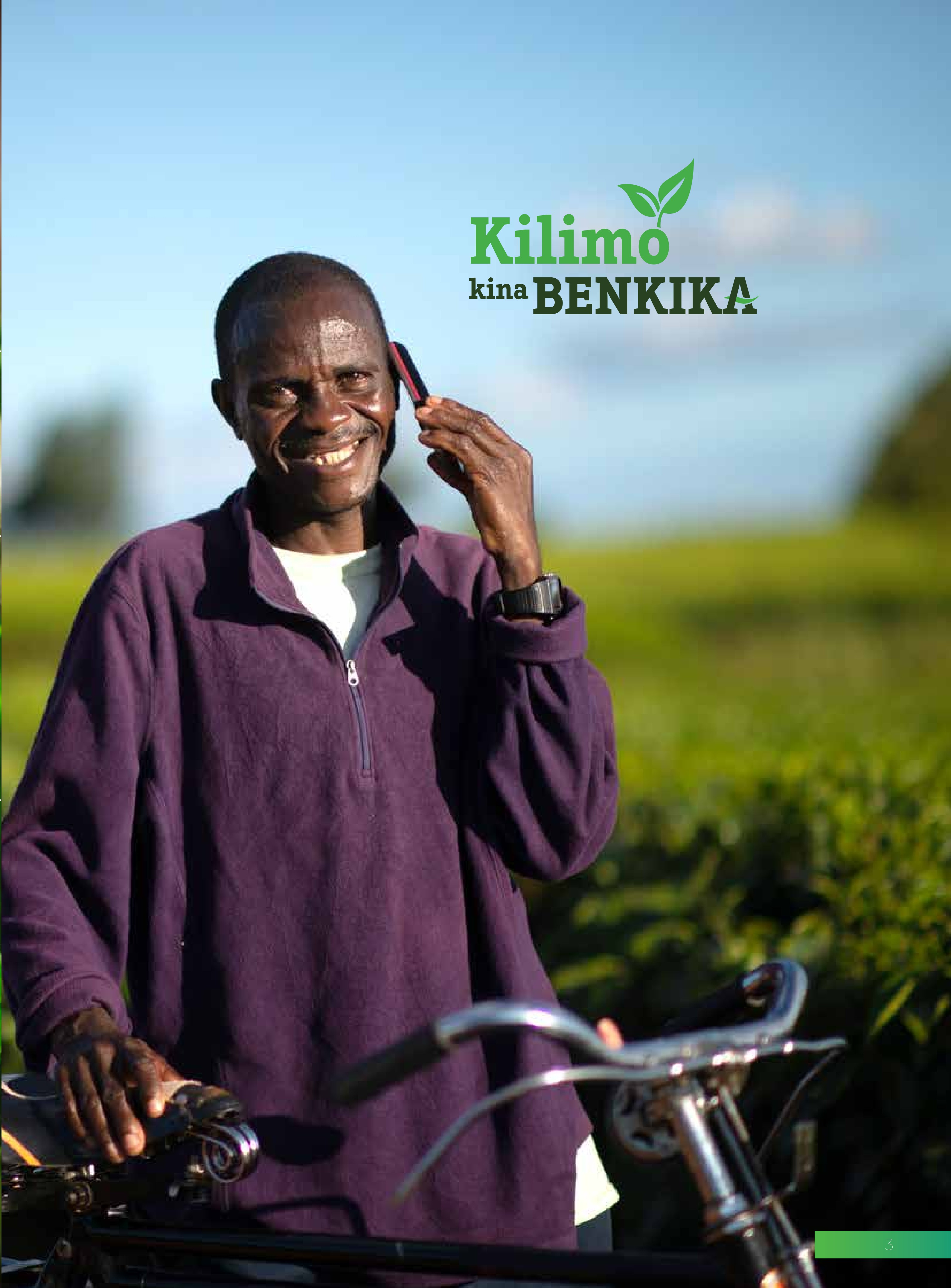
PSPF Dodoma Plaza
5th Floor Plot 2&4 NCC Link Area,
Benjamini Mkapa Road,
P.O. Box 2143 Dodoma, Tanzania.
+255 26 2963849
0800 110 120
dodoma@tadb.co.tz

LAKE ZONE

TBA Building
Ground Floor Ex. TRA Office,
Postal Road,
P.O. Box 141 Mwanza, Tanzania.
+255 28 2541763
0800 110 120
mwanza@tadb.co.tz

SOUTHERN HIGHLANDS ZONE

Plot No.20 Block E
Jacaranda Street,
P.O. Box 2581 Mbeya, Tanzania.
+255 25 2503053
0800 110 120
mbeya@tadb.co.tz



Contents

About this Report

This Annual Report and Financial Statements have been prepared for the period beginning January 1st, to December 31st, 2020, being the accounting period for the bank's operations. This report includes non-financial performance, our approach to risk management, an overview of our material risks, and a summary of our governance practices. The report covers the bank's business activities during the financial year and provides perspectives on TADB's prospects.

About this year's theme:
Resilience & Sustainability - The 2020 financial year presented unique challenges to all sectors of the economy, with the health challenges associated with the pandemic. The disruptions in the global supply chains had a far-reaching impact on the agriculture sector's value chain and trade sectors. Despite this, Tanzania was able to navigate the challenges, leveraging its dynamic policies and responsive strategies to build resilience and ensure agricultural sustainability. Resilience and sustainability thus, aptly capture the spirit of the year in the context of agriculture development.

Reporting Frameworks
TADB, being the country's premier development bank has a broad vision to drive impact through innovative approaches. Impact, therefore, sits at the core of the Bank's mandate and forms the larger part of reporting. The bank has a diverse group of stakeholders, including international partners, who support its mission. This requires that it conducts its business in a transparent manner. This includes the way the bank accounts for its investments.

In preparing this report, we have adhered to the industry best practices and accounting frameworks for existing and prospective investors. Our report is aligned with the parameters of the laws and guidelines governing limited liability companies, the Bank of Tanzania's (BoT) prudential guidelines, and the National Board of Accountants and Auditors (NBAA). We have embarked on a journey to adopt Integrated Reporting (IR) approaches to create a foundation for the full adoption of integrated reporting in the coming years.

Presentation of Financial Statements
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).

Our Purpose

To be a world-class model agricultural development bank that supports and promotes Tanzania's agriculture transformation

Abbreviations

AfDB	African Development Bank
AFDP	Agricultural & Fisheries Development Programme
AGF	African Guarantee Fund
AGRA	Alliance for a Green Revolution in Africa
ALCO	Assets and Liabilities Committee
AMCOS	Agricultural Marketing Cooperative Society
AML	Anti Money Laundering
ASDP	Agricultural Sector Development Programme
ASDS	Agricultural Sector Development Strategy
AVI	AgVision International
BAC	Board Audit Committee
BBC	Board Business Committee
BHRAC	Board Human Resource & Administration Committee
BMGF	Bill & Melinda Gates Foundation
BOT	Bank of Tanzania
BRITEN	Building Rural Incomes Through Entrepreneurship
CAGR	Compound Annual Growth Rate
CAPEX	Capital expenditure
CEO	Chief Executive Officer
CMC	Credit Management Committee
DANIDA	Danish International Development Agency
DFI	Development Finance Institution
ECL	Expected Credit Loss
EDF	Enterprise Development Fund
EOB	Extra Ordinary Board
ESL	Extended Shelf Life
EXCO	Executive Management Committee
FSDT	Financial Sector Development Trust
FTMA	Farm to Market Alliance
FY	Financial Year
FYDP	Five-Year Development Plans
GDP	Gross Domestic Product
ICT	Information and Communications Technology
IFAD	International Fund for Agricultural Development
IFC	International Monetary Fund
IFRS	International Financial Reporting Standards
ISSAI	International Standards of Supreme Audit Institutions
JICA	Japan International Cooperation Agency
LGA	Local Government Authority
LIC	Local Investment Climate
MCC	Milk Collection Centres
MIVARF	Marketing Infrastructure & Value Addition & Rural Finance Support Programme
MSC	Master of Science
MUCOBA	Mufindi Community Bank
NFSMP	National Financial Sector Master Plan
NGO	Non- Governmental Organisations
NHIF	National Health Insurance Fund
NII	Net Interest Income
NPL	Non Performing Loans
NSSF	National Social Security Fund
OPEX	Operational Expenditure
PAA	Public Audit Act No. 11 of 2008
PAC	Public Accounts Committee
PAR	Public Audit Regulations, 2009
PAT	Profit After Tax
PBT	Profit Before Tax
PDPS	Price Deficiency Payment Scheme
PhD	Doctor of Philosophy
PPA	Public Procurement Act, 2016
PPR	Public Procurement Regulations, 2013
PSSSF	Public Service Social Security Fund
R&D	Research and Development
Reg.	Regulations
ROAA	Return on Average Assets
ROAE	Return on Average Equity
RUDI	Rural Urban Development Initiative
SCGS	Smallholder Credit Guarantee Scheme
SHF	Smallholder Farmers
SME	Small and Medium Enterprises
TADB	Tanzania Agricultural Development Bank
TARI	Tanzania Agricultural Research Institute
TDV	Tanzania Development Vision
TMX	Tanzania Mercantile Exchange
TSSA	Tanzania Social Security Association
TZS	Tanzania shillings
UNDP	United Nations Development Programme
URT	United Republic of Tanzania
USD	United States Dollar
WCF	Workers Compensation Fund

This section provides the institutional profile of the Tanzania Agriculture Development Bank (TADB) and it's mandate. In this section, you will also find information about the bank's countrywide operations and investments across the zones.

Section ONE

Corporate Profile

We Are A Farmers Bank

About TADB

WE ARE A FARMERS BANK

Tanzania Agricultural Development Bank Limited (TADB) is a state-owned Development Finance Institution (DFI), established under the Companies Act no. 2 of 2002 and given Certificate of Incorporation no. 94075 on 26th September 2012.

The key role of the bank is to be a catalyst for delivery of short, medium and long- term credit facilities for the development of agriculture in Tanzania. Its establishment is among the key initiatives and national goals enshrined in the Vision 2025 to achieve food self-sufficiency and food security, economic development and poverty reduction.

The Bank as a key stakeholder in the development and envisaged revolution of the agricultural sector, is committed to delivering on undertakings made in the context of the national agriculture related strategies consistent with its Vision, Mission and Objectives. Further, the bank was tasked with implementation of the Government's Second-Generation Financial Sector Reforms, the national policies and strategies for the development of the agricultural sector.

OUR 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.

OUR 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.

OUR CORE VALUES

The principal function of TADB is to catalyse delivery of finance and related non-finance services and facilities to the agricultural sector in Tanzania.

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.
Innovation	We embrace innovation in all undertakings of the bank in terms of products and services design and delivery, to continuously improve performance and operational efficiency.
Team work	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.
Integrity	We advocate and demonstrate high levels of integrity in all aspects, including ethical conduct, transparency, respect, objectivity and accountability in discharging our duties.

Products & Services
Full-Range Perspective

We are a Market Leader in Development Financing in Tanzania

Tanzania Agricultural Development Bank (TADB) aspires to be a leader in agriculture financing. We see ourselves as a facilitator of socio-economic transformation in Tanzania, through sustainable agriculture. We have modelled our business along the wider needs of the society, and in the context of the economic ambitions of our nation.

Our products are market-driven and are determined by the type of intervention needed to transform the value chain being financed. In developing the products, the Bank considers the tenor of the loan, purpose of the loan, and financing gap to be addressed in the value chain being financed.

As a market leader, we are committed to playing a leading role in agriculture transformation through value chain financing. We use a variety of delivery mechanisms targeting customers and areas of intervention in the agriculture value chain.

Financing Solutions

Our range of financing products are designed to address both the short and long term needs of our customers around the country. We provide short, medium, and long-term lending through refinancing, wholesale lending, direct lending, co-financing, and leveraging/guarantees to address financing gaps in the agriculture value chains.

Our Partners

SHORT-TERM FINANCING

Definition

Short-term loan category covers all loans extended for a period of up to 24 months or less for the purpose of financing short- term loan requirements in the agriculture value chains.

What it Covers

Short term loans to cover pre-and post-harvest financing requirements, accounts receivables, inventory finance, asset finance and other financing needs for all bank selected agriculture value chains.

Product/Solutions

1. **Pre-harvest loan** - Covers all costs related to agriculture production such as preparation of farms, purchase of seeds, fertilizer, labour, hiring of agriculture equipment and other inputs necessary to enhance agriculture productivity. The loan is liquidated using sales proceeds obtained from the harvested crop, therefore no repayment is expected before the crop is harvested and sold.
2. **Post-harvest loan** - Covers all costs related to harvesting, storage, drying, sorting, grading, handling, packaging, and all other costs to facilitate agriculture commodities to reach the markets. The loan is liquidated after the harvested crop has been sold. Therefore, no repayment is expected before the crop is harvested and sold.
3. **Asset Finance loan** - For assets to facilitate agriculture mechanization, low-cost irrigation equipment, low-cost agriculture value addition equipment, and other asset finance needs for enhanced productivity, value addition, and increased margins which are payable within 24 months.
4. **Short-term loan** - is intended to finance value chains that are non- crop related such as livestock (i.e., dairy, meat), poultry, fish farming, beekeeping, and other short-term crop-related value chains loans which are demand driven and not captured in the other products in this loan category.

MEDIUM TERM FINANCING

Definition

Medium-term loan category will cover all loans extended for a period from two years (24 months) up to five years (60 months) for the purpose of financing medium term loan requirements.

What it Covers

Medium term loan covers requirements such as farm expansions, new seed or livestock breed varieties, asset finance, infrastructure finance and other medium term loan needs for addressing financing gaps in the agriculture value chains.

Product/Solutions

1. **Asset Finance loan** - intended to finance assets for facilitating agriculture mechanization i.e., tractors, harvesters, planters, irrigation equipment, agriculture value addition equipment, post-harvest management equipment/technology and other asset finance needs for enhanced productivity, value addition, and increased margins which are payable for a longer period starting from two to five years. Most assets financed under this product have a life subjected to depreciation each year.
2. **Infrastructure loan** - This loan is intended to finance agriculture value chain infrastructure requirements such as building irrigation schemes, modern storage warehouses, and other agriculture infrastructure loan requirements for building and strengthening agriculture value chains. Infrastructures financed under this product are not subjected to depreciation but appreciate with time. The loan is payable from two to five years.
3. **Medium-term loan** - is intended to finance value chains that are non- crop related such as livestock (i.e, dairy, meat), poultry, fish farming, beekeeping, and honey processing, and other medium term crop related value chains loans which are demand driven and not captured in the other products in this loan category but the payable period is longer i.e, from two to five years.

LONG-TERM FINANCING

Definition

Long term loan are loans extended for a period from five years (60 months) up to fifteen years (180 months) for the purpose of financing long term loan requirements

What it Covers

Long term loans cover financing needs such as asset finance, infrastructure finance and other long term financing needs for building and strengthening agriculture value chains.

Product/Solutions

1. **Asset Finance loan** - intended to finance assets for facilitating long-term agriculture investments in mechanization, value addition/processing, and other asset finance needs for enhanced productivity and value addition which require a longer payback period starting from five to fifteen years. Asset financed under this loan category has a longer lifetime and the repayment period is computed based on the payback period.
2. **Infrastructure loan** - intended to finance agriculture value chains infrastructure requirements such as building irrigation schemes, modern storage warehouses, and other agriculture infrastructure loan requirements for building and strengthening agriculture value chains which require a long repayment period starting from five to fifteen years computed based on the payback period. Infrastructures financed under this product are not subjected to depreciation but most of the time appreciate with time.
3. **Long-term loan** - intended to finance value chains that are non- crop related such as livestock (i.e, dairy, meat), poultry, fish farming, beekeeping, and honey processing, and other long-term crop-related value chain loans which are demand driven and not captured in the other products in this loan category but the payback period is longer i.e, from five to fifteen years.

Key Metrics

- **136** TZS Billion guaranteed to smallholder farmers through SCGS
- **360** Agricultural Loans (in Billions TZS)
- **318** Strategic Agri Projects Financed
- **36** Value Chains Financed

Products & Services
Product Catalogue

	Purpose of the Loan	Target Market	Value Chain	Repayment Terms	Interest Rates	Grace Period	Duration	Collateral
1. Asset Finance	To finance purchase of agricultural assets like; tractors, planters, harvesters, equipment & machinery, post-harvest management technology (silos, vehicles / trucks), irrigation equipment (sprinklers, drip irrigation kits, pivot systems) and fishing equipment.	Smallholders, AMCOs, SMEs, Commercial Farmers, Cooperatives, Agri-Companies.	Production, Aggregators, Agro-processors, Logistics.	To be paid in installments (monthly, quarterly or semi-annually).	15% to 12%.	N/A	1-5 years depending on the project cashflow.	The machines and equipment purchased will be used as part of the collateral, where the customer will be required to deposit 25% of the value of the asset.
2. Project Finance	To finance new investments and assets or financing expansion of already developed investment infrastructure.	Small-Medium Enterprises, AMCOs, Commercial Farmers, Cooperatives, Agri-companies, Livestock keepers and fishing organizations.	Production, Aggregators, Agro-processors.	To be paid in installments (monthly, quarterly or semi-annually)	15% to 12%.	Maximum 2 years.	1-15 years.	As per the TADB checklist.
3. Seasonal Loan	To finance Pre & Post harvest activities (farm preparation, purchase of inputs, maintenance & harvesting), purchase of animals (i.e. livestock, poultry, fish fingerlings) and animal feeds.	Smallholders, AMCOs, SMEs, Commercial Farmers, Cooperatives, Agri-Companies.	Production, Aggregators, Agro-processors, Logistics, Marketing.	To be paid in installments (monthly, quarterly or semi-annually) inclusive principle and interest based on cash flow realization.	15% (Negotiable).	Maximum 2 years.	1-3 years.	As per the TADB checklist.
4. Insurance Premium Financing (IPF)	Insurance to cover all risks, General Insurance (Property, Stocks, Vehicles, Machines, Equipment).	Small-Medium Enterprises, AMCOs, Commercial Farmers, Cooperatives, Agri-Companies, Livestosck keepers and fishing organization.	Production, Aggregators, Agro-processors, Logistics, Marketing.	Two month repayments deposited initially. Then 10 equal installments to follow for 10 months.	9%.	N/A	1 year	N/A
5. Trade Finance	To offer unique intra trade solutions, enabling its customer and financial institutions to settle their trade transactions efficiently and to mitigate payment risks.	Traders and Financial Institutions	Production, Aggregators, Agro-processors, Logistics and Marketing.	N/A	15% to 12%. (Comission of 0.5% -2% per quarter.)	N/A	1 year.	As per the TADB checklist.
6. Stock Financing Loan	To purchase Agri-stock products such as finished goods or raw materials.	Smallholders, AMCOs, SMEs, Commercial Farmers, Cooperatives, Agri-Companies.	Production, Aggregation, Agro – Processing, Logistics and Marketing.	After the sales of stocks.	15% to 12%.	N/A	Equal to and less than 1 year.	50% of the stock to be used as part of the collateral.
7. Small-holder Credit Guarantee Scheme (SCGS)	To encourage financial institutions (commercial and community banks, micro-finances) to improve lending to small-holder farmers who face challenges accessing finance due to inadequate collateral among SMEs and small-holder farmers.	Small-holder farmers, farmers groups and SME's directly linked to smallholder farmers.	N/A	N/A	Depends on the participating bank	N/A	N/A	As per the TADB checklist.
8. Wholesale Lending	To fund and risk-share facilities to participating financial institutions (commercial banks, micro-finances and existing retail DFIs) for on-lending to SMEs.	Financial Institutions.	N/A	N/A	Depends on the participating institution	N/A	N/A	As per the TADB checklist.
9. Financial Advisory	To help agri-enterprises towards growth and transformation by offering non-financial solutions in addition to financial intervention.	Agri-enterprises and small producers, cooperatives and Farmer Producer's Organisa-tions (FPOs).	N/A	N/A	N/A	N/A	N/A	As per the TADB checklist.
10. Term Loans	To provide short and long term loans to finance capital improvements with the goal of increasing production capacity.	Agri-enterprises and small producers, cooperatives and Farmer Producer's Organisa-tions (FPOs).	N/A	5 – 15 years	N/A	N/A	N/A	As per the TADB checklist.

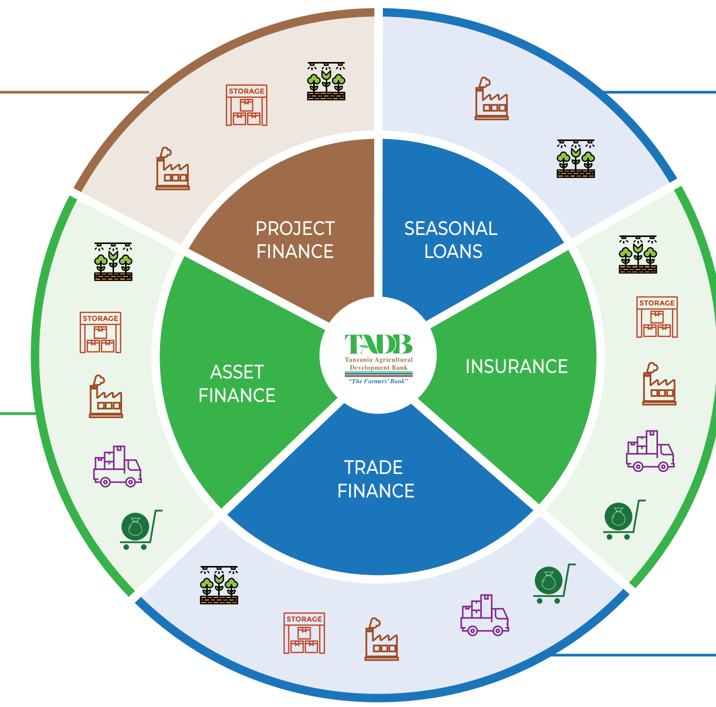
Business Loans
Agri-Transformation Package

Our agricultural transformation journey towards economic growth, food security and poverty reduction:

- **Infrastructure Development** - To improve productivity in the agriculture sector by supporting infrastructure development projects.
- **Financial Catalysation** - Play a leading role to catalyse other banks and financial institutions to participate actively in financing of agriculture value chains.
- **Financial Inclusion** - Mobilize financial resources for affordable agricultural financing and enhancing financial inclusion to subsistence and smallholder farmers.

	LOAN	PURPOSE	TARGET MARKET	LOAN AMOUNT	DURATION	REPAYMENT TERMS
1	**ASSET FINANCING** - facilitating agriculture mechanization.	Finance the purchase of agricultural assets like tractors, planters, equipment, and machinery. It also covers the purchase of post-harvest management technologies and equipment.	AMCOs, Cooperatives, Unions, SMEs	Not more than 75% of the costs of the asset.	Maximum 1 year.	To be paid in installments based on the payback period.
2	**PROJECT FINANCING** - long-term financing of infrastructue and industrial projects.	To finance pre & post-harvest activities (i.e., farm preparations, acquisition of inputs, maintenance, and harvesting), purchase of animals (livestock, poultry, fish fingerings, etc).	SHFs, Organisations, SMEs, livestock keepers, aggregators, fishing organisations.	Not more than 75% of the costs of the asset.	1-15 years and a maximum of two years of a grace period.	To be paid in installments (monthly, quarterly, and semi-annually) based on the payback period.
3	**SEASON FINANCING** – monetary resources in the form of working capital**.**	Working capital for the acquisition of income-generating assets (machinery, equipment, and inventory) that generate cash flows for the repayment of the loan.	SHFs, Organisations, SMEs, livestock keepers, aggregators, fishing organisations.	Not more than 75% of the costs of the asset.	1-3 years and a rate of a maximum of 15% (negotiable).	To be paid in installments (monthly, quarterly, and semi-annually) based on the payback period.
4	**SMALLHOLDER FARMERS CREDIT GUARANTEE SCHEME (SCGS)** - access to financial support from commercial & community banks.	To encourage other banks to improve access to finance for smallholder farmers and drive the adoption of modern farming techniques to create employment, promote food security and transform operations from subsistence to commercial farming.	Smallholder farmers, farmer groups, and SMEs directly linked to smallholder farmers.	Agreed upon between TADB and the eligible bank.	Depends on the terms set by participating bank.	Depends on the terms set by participating bank.

Our Products
Value Chain Proposition



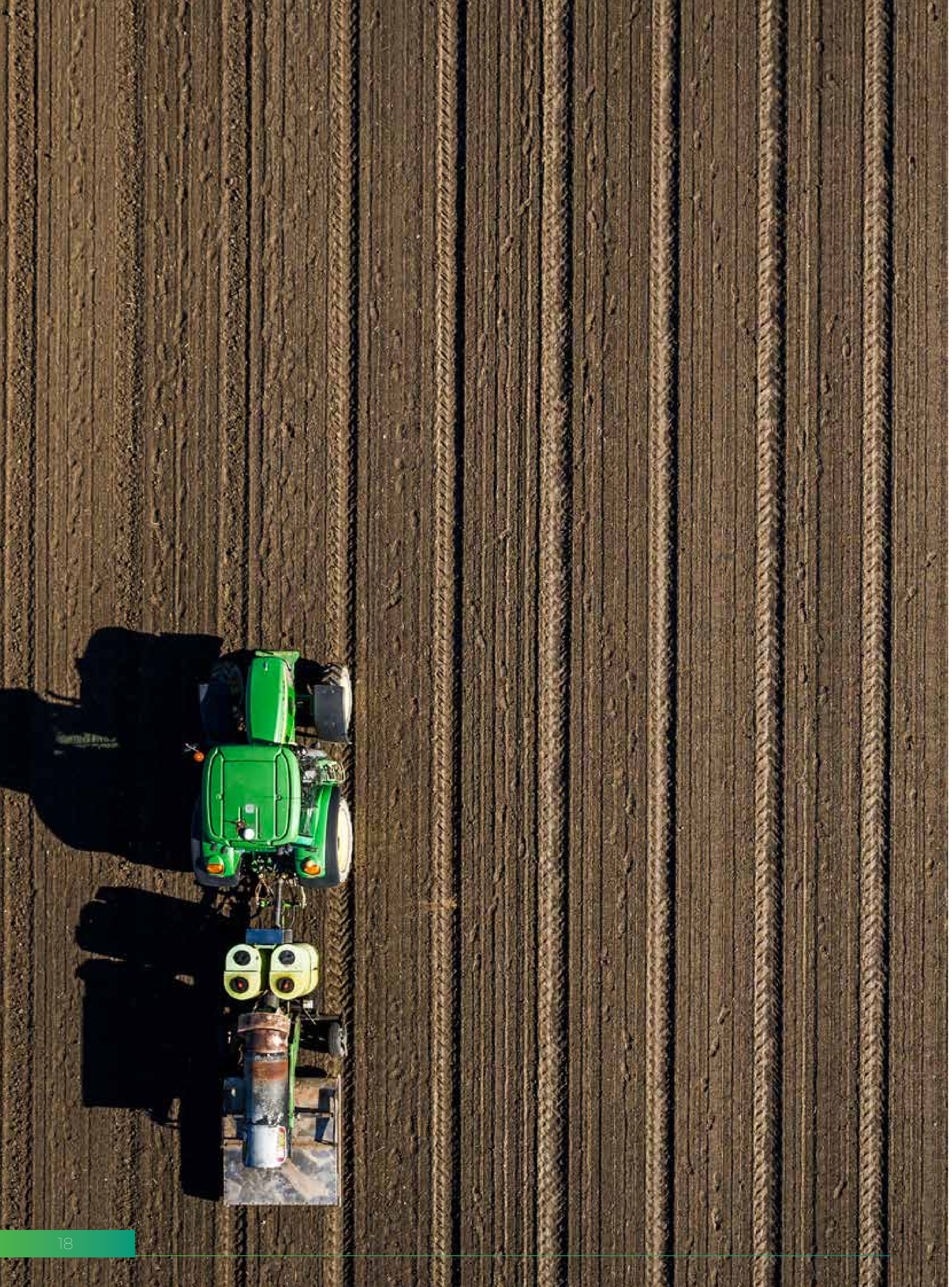
Project Finance:
- Construction of Irrigation infrastructure, drilling boreholes with its irrigation system, Construction of shades & fiddlers & animal holding grounds.
- Construction of Dams.
- Construction of agri-processing facilities such as industries & abattoirs.

Asset Finance:
- Purchase of tractors, planters, harvesters, equipment & machinery, post-harvest technology (silos), vehicles/trucks.
- Purchase of vehicles / trucks, Silos, warehouses & cold storage facilities.
- Purchase of processing machineries, vehicles & trucks.
- Purchase of transport facilities.
- Purchase of vehicles / trucks.

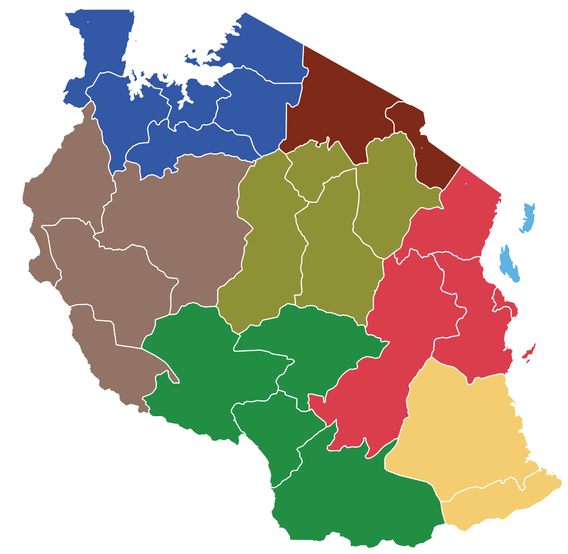
Seasonal Loans:
- Use of trade services and finance (i.e LC, Invoice discounting, Guarantees).
- Use of trade services and finance (i.e. LC, Invoice discounting, Guarantees).
- Use of trade services and finance (i.e. LC, Invoice discounting, Guarantees).
- Use of trade services and finance (i.e. LC, Invoice discounting, Guarantees).
- Use of trade services and finance (LC, Invoice discounting, Guarantees).

Trade Finance:
- Purchase of raw materials.
- Pre & Post harvest activities - farm preparation, purchase of inputs, maintenance & harvesting. Purchase of Animals- livestock, poultry, fish fingerlings.

Insurance:
Asset insurance for all risk, agriculture insurance, equipment insurance, credit life insurance (PASS credit guarantee, Africa Trade Insurance [ATI], Motor vehicle insurance).



Service Reach
& Country Presence



Lake zone Cluster
Kagera, Mwanza, Mara, Shinyanga, Geita, Simiyu

Western Cluster
Kigoma, Tabora, Rukwa, Katavi

Southern Highlands Cluster
Mbeya, Songwe, Iringa, Njombe

Southern Cluster
Lindi, Mtwara, Ruvuma

Central Cluster
Dodoma, Manyara, Singida

Nothern Cluster
Arusha, Kilimanjaro

Eastern Cluster
Dar es salaam, Coast, Tanga, Morogoro

Zanzibar Cluster
Unguja and Pemba

REGIONAL OFFICES/CONTACTS

1. **HEAD OFFICE**
   4th Floor, Acacia Estate Building,
   Plot 84 - 14109 Kinondoni, Kinondoni Rd.,
   P. O. Box 63372,
   Dar es Salaam, Tanzania.
   Tel: +255 22 2923500
   Toll Free Line: 0800 110 120
   E-mail: info@tadb.co.tz

2. **CENTRAL ZONE**
   PSSSF Dodoma Plaza,
   Fifth Floor, Ploti 2&4 Near NCC Link
   Benjamini Mkapa Street,
   Postal Address, 2143 Dodoma.
   Telephone: +255 262963849
   Email: dodoma@tadb.co.tz

3. **LAKE ZONE**
   TBA Building (Formerly, TRA Offices),
   Post Office Road,
   Postal Office, 141 Mwanza.
   Telephone: +255 282541763
   Email: mwanza@tadb.co.tz

4. **SOUTHERN HIGHLANDS ZONE**
   NHC Building, Plot No. 20 Block E,
   Jacaranda Street,
   Postal Address 2581 Mbeya.
   Telephone: +255 252503053,
   Email: mbeya@tadb.co.tz

5. **EASTERN ZONE**
   4th Floor, Acacia Estate Building,
   Plot 84 - 14109 Kinondoni,
   Kinondoni Rd.,
   P. O. Box 63372,
   Dar es Salaam, Tanzania.
   Tel: +255 22 2923500
   Email: dar@tadb.co.tz

6. **SOUTHERN ZONE**
   NHC Building,
   P. O. Box 331,
   Mtwara, Tanzania.
   Telephone: +255 232935632
   Email: mtwara@tadb.co.tz

In this section, you will read about the macroeconomic environment and how it impacted TADB's performance during the year. The Statement from the Ministry of Finance and Planning provides a wider perspective of the bank's strategic intents during the year.

Section TWO
2020 Reflections

Statement from the Ministry of Finance & Planning

> *In principle, the sector remains the main contributor to the economy, accounting for an average of 27% of GDP with annual growth averaging 5%.*

Doto James
PS Ministry of Finance and Planning

In many economies around the world, 2020 was quite an eventful year marked by many life-changing disruptions. For the majority of the African economies, the year presented unique and unprecedented challenges. Plunged into an unfamiliar crisis, the continent was caught between mitigating the impact of the COVID-19 pandemic, and sustaining livelihoods. Tanzania, like its neighbours, implemented a raft of measures to deal with the challenges of the day, including scaling investments in the health sector, and developing guidelines for financial institutions at the height of the pandemic.

A Review of the Operating Environment

During the year 2020, the Tanzania economy performed relatively well, successfully navigating the challenges associated with COVID-19, and the resultant impact on the global economy and supply chains. In the first three quarters of the year, the economy grew at an average rate of 4.7%, compared to 7.3% in the corresponding period in 2019, and 6.9% in 2018.

The growth was bolstered by the construction, agriculture, transport, and mining and quarrying sectors. Bank of Tanzania (BOT) projects 5.5% and 6.0% GDP growth in the years 2020 and 2021 respectively. Comparatively, Tanzania performed better than other sub-Saharan countries, a majority of which experienced negative growth. Tanzania's GDP growth has averaged 7% over the past five years.

Inflation remained low and stable, averaging 3.1% in the quarter ending December 2020, compared to 3.7% in the corresponding quarter in 2019; largely driven by a decrease in food prices. Food and non-alcoholic beverages inflation levelled at 3.1% in 2020, compared to 5.8% reported in the previous year. The reduction in inflation is attributed to adequate domestic food supply and favourable weather conditions. Non-food inflation increased marginally to 3.2% during the year, from 2.4% in the previous year, on account of a moderate increase in global petroleum prices.

Extended broad money supply (M3) grew at an annual rate of 5.7% during the year 2020 compared to the 9.6% growth recorded in December 2019. Domestic credit to both public and private sectors grew by 17.8%, which is significantly higher than the 7.1% growth recorded during the year 2019. Much of the lending to the Government was done through Government securities mostly Treasury Bonds, pushing the rates on the lower record territories. Credit extended to the private sector grew by 3.0%, compared to 11.1% in the corresponding period in 2019. The subdued growth of credit to the private sector was partly attributable to the global negative effects of COVID-19 especially on sectors with higher exposure to external shocks like tourism, agriculture (due to exports), trade etc.

Interest rates continued to ease consistent with the accommodative monetary policy implemented by the Government and an increase in liquidity in the banking system emanated from muted lending and investment activities ahead of COVID -19. Overall deposit rates reduced to 6.78% from 7.7%, and the 1-year lending rate reduced from 16.28% to 15.72% as of December 2020. The interest rate on Government papers also decreased significantly, for instance, 2 years T-bond rate reduced from 11.08% end of 2019 to 7.08% end of 2020, 10-year bond rate reduced from 14.52% to 11.56% same for the 20-year bond which reduced from 16.76% to 15.01%. with the lower rates on Government securities, most banks and pension funds are pushed to invest in other vehicles including agricultural projects.

Reflections on the Performance of the Agriculture Sector

Agriculture is the mainstay of the Tanzanian economy and therefore enjoys a great deal of attention from the government and development partners. The government of Tanzania remains supportive to the overall growth and development of the sector, with a clearly articulated long and medium-term policy frameworks for the economy in general and the agriculture sector in particular. The Tanzania Development Vision 2025 (TDV 2025), sequenced in three Five-Year Development Plans (FYDP I, II, III), envision transforming the economy from a low-productivity agricultural economy to a semi-industrialized middle-income country by 2025. The Agricultural Sector Development Programme (ASDP) is one of the key instruments used to meet TDV 2025 and implement the Agricultural Sector Development Strategy (ASDS).

In principle, the sector remains one of the main contributors to the economy, accounting for an average of 27% of GDP with annual growth averaging 5%. The sector employs nearly 67% of the population and contributes an estimated 35% of foreign currency earnings.

Despite COVID-19 disruption and impact on both local, regional and global economies, the sector remained resilient, contributing positively to the growth of the economy by 24.6%, the second-highest after construction, which contributed 42.6% of GDP growth. Between January to September 2020, the sector GDP grew by 4.8%, slightly above the growth reported during the same period in the previous year at 4.3%.

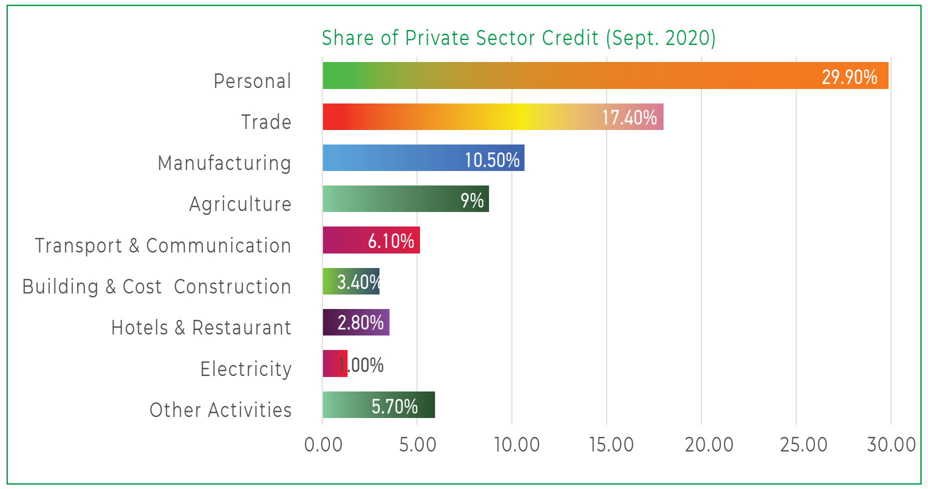
Selected Economic Performance Indicators 2016 – 2020

As of December 2020, banks' lending to the agriculture sector declined by 5.4% year on year, pushing down the share of the credit of the agriculture sector to 8.7% from the 9.6% reported in 2019. The decline in lending to the sector was partly contributed by higher growth recorded prior year (2019) of about 91.5% and the COVID-19 pandemic which had a spillover effect on the economy.

The Bank's Role in Catalysing Transformation of the Agriculture Sector

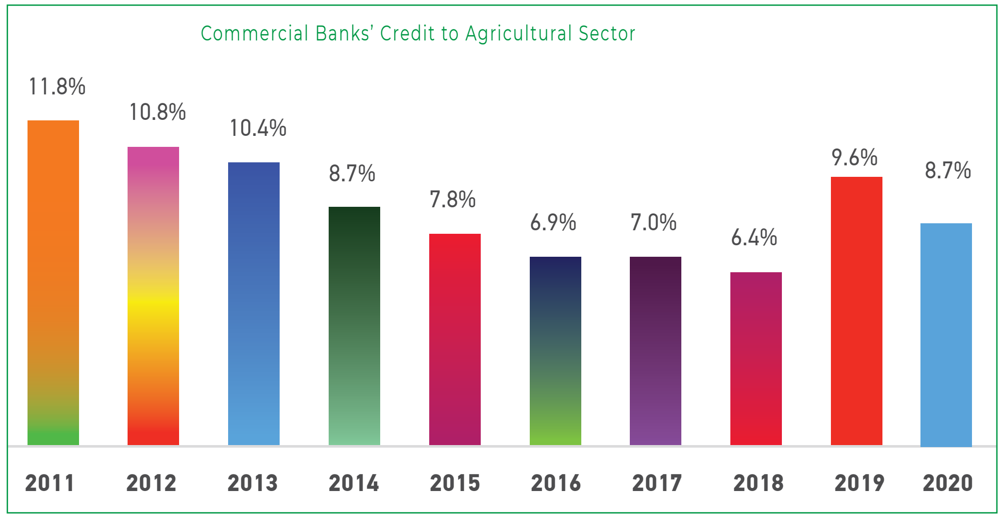
TADB fully appreciates the reality that unlocking the full potential of the agriculture sector requires holistic approach, through modern agricultural sector investments. The Bank continues to play its catalytic role in expanding and delivering medium to long-term finance to support and transform the agriculture sector. The outlook is for Tanzania to consolidate achievements and continue the momentum in supporting agriculture sector growth and development by extending much-needed funding to the sector chains, in particular, the marginalized small-scale farmers.

During the 2020 FY, the Bank approved and disbursed loans amounting to TZS 86.12 billion,



26.4%
Agriculture sector share to GDP in 2020

Performance indicator	2016	2017	2018	2019	2020
GDP growth %	6.9%	6.8%	7.0%	6.3%	5.5%
Agriculture sector share to GDP %	26.0%	28.8%	28.2%	23.0%	26.4%
Agriculture sector growth %	3.2%	5.9%	5.3%	5.9%	4.8%



> The decline in lending to the sector was partly contributed by COVID-19 pandemic which had a spillover effect on the economy.

benefitting more than 197,231 smallholder farmers directly in the Njombe, Mbeya, Songwe, Tanga, Dar es Salaam, Pwani, Kigoma, Iringa, Ruvuma, Njombe, Rukwa, Kagera and Mara regions. In addition, the bank implemented strategic initiatives in the sector, impacting more than 28,826 lives across the country during the year.

Priority during the year was to ensure the six sub-sectors of agricultural produce are adequately financed to ensure food security and surplus for export. The sub-sectors financed comprised nine (9) value chains namely, i.e., cereals (maize, paddy and sorghum), Horticulture (vegetables, Grapes and fruits), Industrial commodities (sugarcane, Coffee, Cotton & Sisal); livestock (dairy, beef, fish & Poultry); Oil Seeds (Groundnuts, Sunflower, Palm Oil) and Roots & Tubers (Potatoes, Irish potatoes, Cassava).

The Bank also remained steadfast in supporting the government's efforts to curb the post-harvest losses, which account for up to 40% of the agricultural produce annually. The bank financed the construction and purchase and installation of silos in various parts of the country.

In driving sustainable agriculture, the Bank scaled up its efforts to support the development of large irrigation projects, viable out-growers projects, and the development of the nucleus farm model countrywide.

Transforming Agriculture Through Mechanisation & Industrialisation

Agriculture mechanisation has been identified as one of the critical interventions in agriculture transformation. TADB has put in place deliberate efforts to champion the shift from rudimentary methods to mechanised farming. During the FY under review, the bank approved and disbursed a total of TZS 143.65 million to finance the purchase of tractors and its accessories under the paddy value chain. During the year, a total of TZS 528 million was allocated to finance inputs for paddy and beef fattening, 89 Mechanisation equipment, 4 warehouses and 3 silos.

In its contribution to the government's industrialisation agenda, the bank advanced loans amounting to TZS 19.17 billion to support eight agro-processing projects in the Dairy, Maize and Sugar value chain.

Leveraging Strategic Partnerships to Drive Growth

During the year, the bank restructured its funding directorate to focus on global engagements, strategic partnerships and resource mobilisation. In doing so, the bank engaged various stakeholders to build strategic alliances and mobilize funds and other resources for the bank. TADB successfully conducted 86 engagements with 35 different stakeholders within the sector. These engagements have enabled the bank to establish key partnerships that have impacted its clients.

The bank will continue to pursue well-structured blended resources to fully unlock long-term and strategic investments in the agriculture sector.

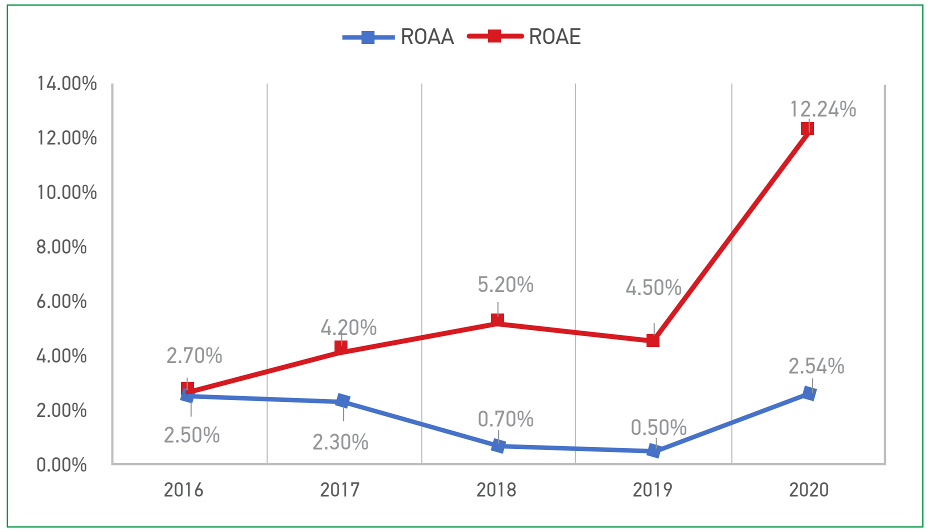
Driving Value Creation

TADB's broad mandate is anchored in the country's desire to improve the quality of life of its citizens. The bank, therefore, endeavours to undertake its activities within the broader context of the country's economic aspirations. To guarantee the achievement of these aspirations, the Bank conducts its business in a manner that is sustainable and creates value for all stakeholders.

During the year under review, the bank continued to implement strategies to improve its operations by enhancing efficiency and growing profitability. The bank also focused on impact-based projects in line with its vision to transform the agriculture sector. The interventions resulted in improved indicators, signalling rebounded performance on the back of sustained strategic investments and operational reforms.

	2016	2017	2018	2019	2020
ROAA	2.50%	2.30%	0.70%	0.50%	2.54%
ROAE	2.70%	4.20%	5.20%	4.50%	12.24%
Cost to Income ratio	75.0%	77.0%	80.1%	67.9%	45.0%

ROAA/ROAE trend over the past five years



Strengthening Governance

TADB continues to conduct its business in strict adherence to the principles of good corporate governance, to increase compliance and efficiency in organisational performance. To achieve this, the bank continued to strengthen its governance practices through board committees and accountability through reporting.

Board Changes

At the tail end of the year under review, the Minister for Finance appointed seven directors to the Board of Directors of TADB out of whom, six were vetted and approved by the Bank of Tanzania. The appointed members included Mr Migangala Simon Milenge, Dr Abdul Ally, Mr Daniel Masolwa, Mr Hussein Hassan Mbululo, Prof. Ntaengua Mdoe, and Mr William Mhoja. I wish to take this opportunity, on behalf of the entire board of TADB, to welcome the members. They bring on board new perspectives and immense experience that will be integral in driving TADB's next phase of growth.

Future Outlook

TADB is committed to playing its role in driving the transformation of the agricultural sector in the country. The Bank continues to explore ways and means to increase impact through sustainable financing. Going into 2021, the bank will focus on leveraging strategic partnerships to obtain funding to further its mandate. The bank is keen on exploring blended finance options to shore up its capability for funding.

In terms of driving impact, the Bank will focus on increasing access to financing for smallholder farmers through SCGS products, with a particular focus on women and youth. The bank will also improve its support for SME and Trade sectors, which go hand in hand with agriculture towards ensuring the achievement of the country's vision for export-led growth. Specifically, the bank will launch an Agro-Trade and Supply Chain Finance Programme that is aimed at catalysing credit access for SMEs involved in agriculture value chains in international trade transactions.

As an Apex and advisory arm to the Government, TADB will continue to prepare policy briefs, investment and funding proposals and various recommendations to the government to ensure sustained engagements and progressive interventions.

Appreciation

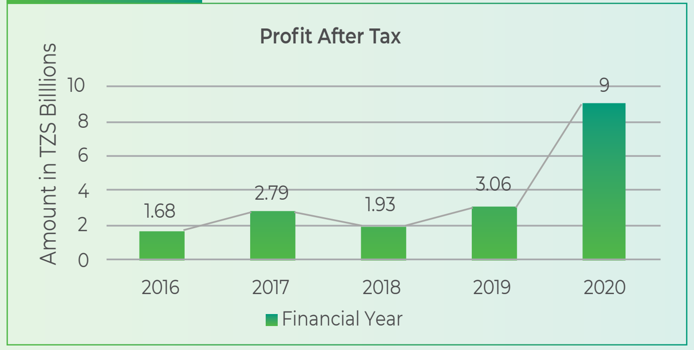
The success of TADB is a product of collaboration and sheer commitment of a diverse group of stakeholders, both within the government and outside. I wish to take this opportunity to extend my heartfelt gratitude to the government, its ministries and state departments for the continued support that they have rendered to TADB.

I also acknowledge the support obtained from non-state actors, including our development partners, commercial Partner Financial Institutions (PFIs) and people of goodwill. More importantly, I wish to thank the management and staff of the bank for their dexterity and commitment in driving the strategy. Last but not least, I thank our customers, who have allowed us to serve them.

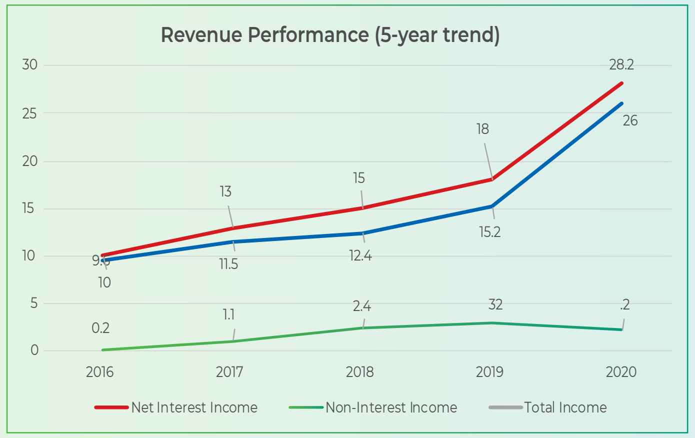
Doto James
PS Ministry of Finance and Planning

2020 Performance Highlights
Selected Indicators

Profitability



The bank's pre-tax and post-tax profits (PBT and PAT) have more than tripled from TZS2.3 billion and TZS1.7 billion in 2016 to TZS12.6 billion and TZS 9.0 billion in 2020 respectively.



Cumulatively, the pre and post-tax profits grew by a CAGR of 53% and 52% respectively, driven by revenue growth attributed to the increase in income earning assets portfolio (comprising of 95% of total assets), which has been growing year on year.

Revenue Performance

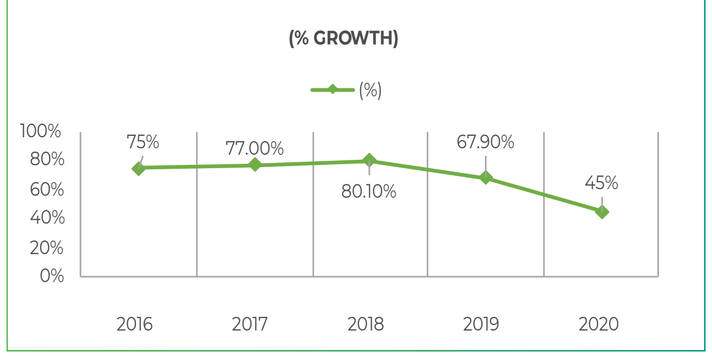
Non-interest income increased at a CAGR of 83% from TZS 0.2 billion in 2016 to TZS2.2 billion in 2020. Growth in non-interest income is largely driven by fees and commissions income (accounting for 67% of income earning assets), which have been growing year on year.

Growth in NII is attributable to the increase in interest earning assets portfolio accounting for 95% of total assets (mainly loans and advances to customer and short-term investments/placements with banks) which has been also growing year on year with TZS 88bn getting disbursed during the year 2020.

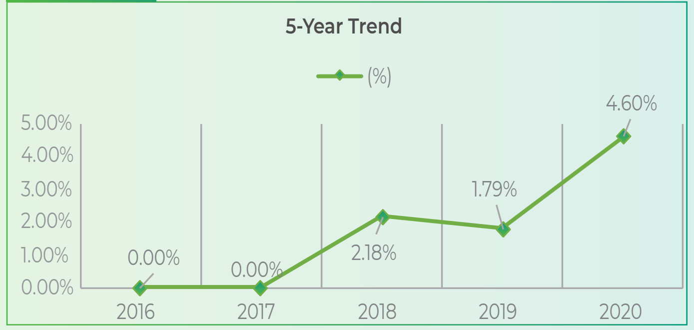
	2016	2017	2018	2019	2020	YoY	CAGR 2016-2020
PBT TZS Billion	2.3	2.9	2.5	4.1	12.6	206%	53%
PAT TZS Billion	1.68	2.79	1.93	3.06	9.0	193%	52%

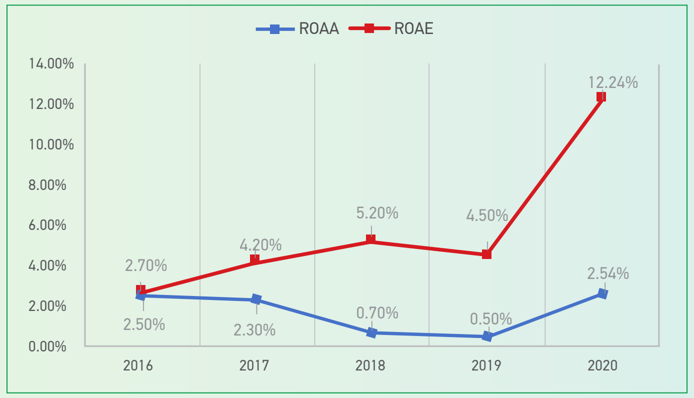
Soundness

Cost to Income Ratio



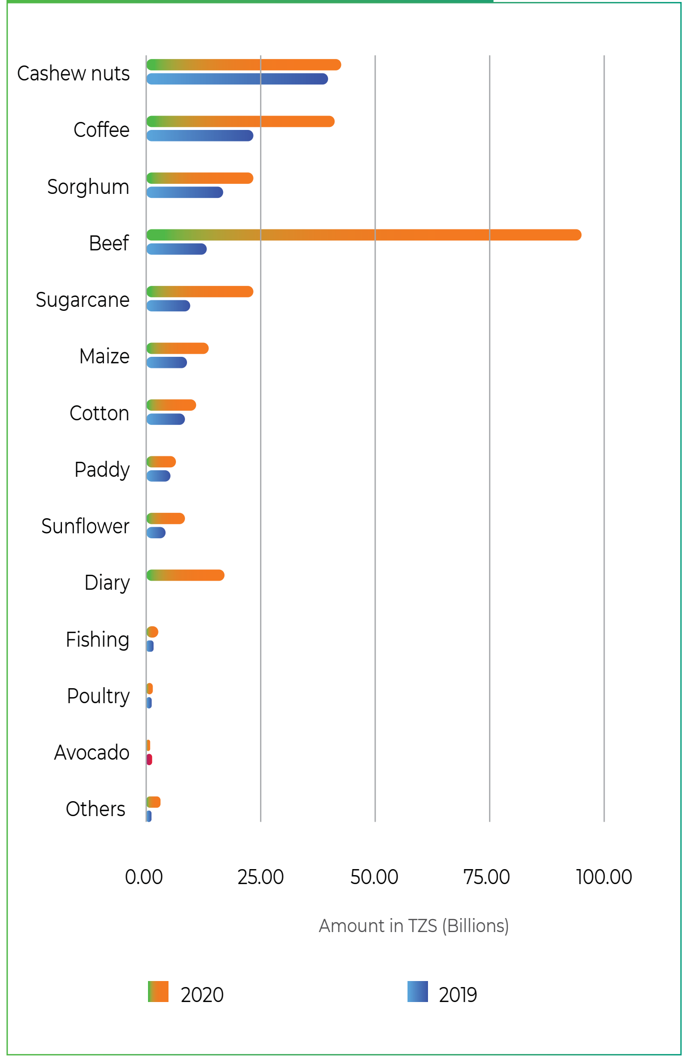
NPL Ratio



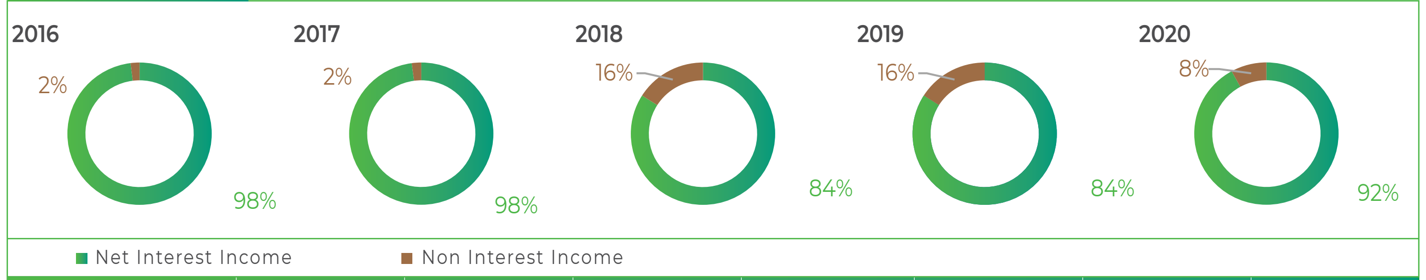


- ROAA dipped between 2016 (2.5%) and 2019 (0.5%), but rebounded in 2020 to 2.4%.
- ROAE has shown consistent growth from 2.7% in 2016 to 12.2% in 2020.
- The positive movements in ROAA and ROAE was attributed by an increase in earning assets.

Comparative Value Chain Financing



Revenue Structure



	2016	2017	2018	2019	2020	YoY	CAGR 16-20
As % of total income							Average %
Net Interest Income	98%	92%	84%	84%	92%		90%
Non-Interest Income	2%	8%	16%	16%	8%		10%
Total Revenue	100%	100%	100%	100%	100%		100%

Our Materiality

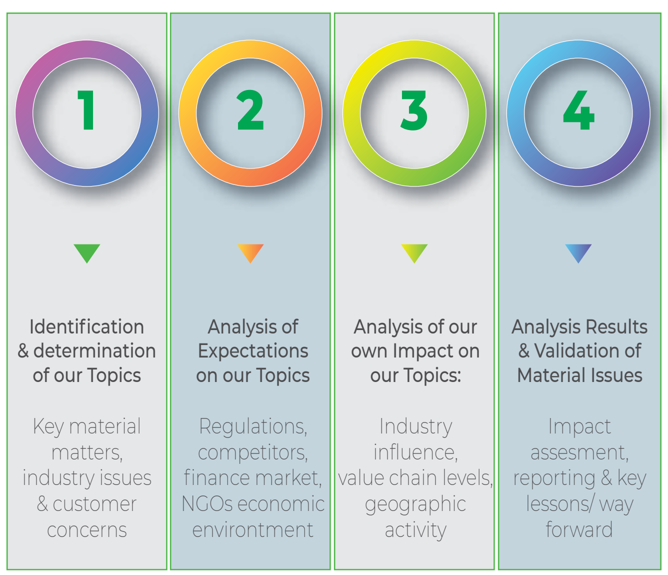
Meeting Stakeholder Expectations

Tanzania Agricultural Development Bank (TADB) endeavours to maintain an up-to-date understanding of its material topics through engagement and dialogue with key stakeholders. As the country's premier development bank, we monitor our business and global trends in agricultural financing and development finance to ensure we stay ahead. Our material topics are annually reviewed and validated by our Board, Management and internal experts. All major revisions are linked to our long-term business strategy updates.

Our approach helps us to understand the perceptions of our stakeholders about the Bank, and the potential risks and opportunities for our business and enables us to evaluate our ability to create and sustain value. The relevance of a topic for TADB, and thereby the decision to include it in our promises is determined by the following criteria:

1. The degree of impact caused by our activities throughout our value chain.
2. How much the issue impacts our business strategy?
3. How the issue might affect our stakeholders.

Materiality process



Engaging Our Stakeholders

TADB regularly engages with stakeholders at various levels, addressing a wide range of material aspects. The frequency and type of contact we maintain with our various stakeholders are diverse. We consult with the Tanzanian government and the industry regulator (Bank of Tanzania) regularly regarding operational and policy matters.

We also engage closely with our development partners and the international community to ensure that material matters relevant to them are adequately addressed.

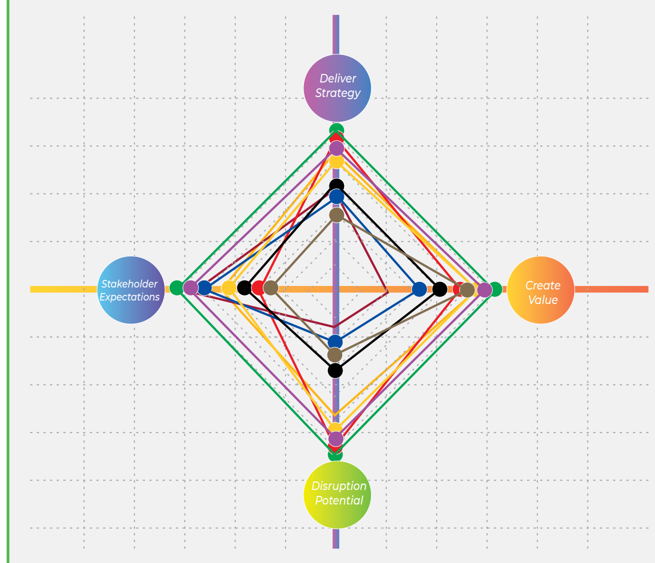
TADB regularly invites stakeholders to engage with and share information about day-to-day operations and endeavours to ensure transparency in our business. Most importantly, we conduct our business in strict adherence to the laws of the land.

Determining our Material Issues

The Board of Directors, which is the apex leadership of TADB is actively involved in these engagements. Issues addressed in our stakeholder consultations are determined based on the material aspects that guide TADB and, are reported in this annual report. A subject is deemed of material importance and included in our materiality matrix, when it reflects a significant economic, social or environmental impact on the bank, or when it influences the decision-making of our stakeholders.

2021 Materiality Analysis

TADB has adopted a consultative approach to analyzing its materiality. In illustrating the bank's materiality, we assessed internal and external stakeholders' expectations and considered the most important themes, which will form the basis of future reporting. We will continue to hold extensive consultations with our stakeholders and update the matrix in 2021.



We use a four-sided spider chart to determine our materiality, along the four delivery lines:

- Ability to deliver company strategy
- Ability to capture stakeholder expectations
- Impact on value creation for the bank's capitals
- Potential to cause disruption (positive or negative) to the social and environmental system (sustainability).

Material topics in 2020

ISSUE	IMPACT ON VALUE CREATION	OUR RESPONSE
COVID-19 Pandemic	The disruptions in the global supply chains and reprioritisation of public spending, alongside the health challenges impacted the agriculture value chain.	We engaged extensively with stakeholders and actively took part in the public efforts to mitigate the impact of the pandemic on the business, our customers and employees.
Funding	Availability of funds remain a critical enabler of the Bank in achieving its mandate and forms the core of its sustainability strategy.	We continued to engage the government and partners to mobilize low-cost funds from both the local and international markets for its short, medium and long-term funding requirements, such as Government backed bonds and other instruments special funding arrangements from multilateral financial institutions (e.g., IFC, AfDB, IFAD, etc.).
Stakeholder expectations	Rising stakeholder expectations and sentiments can impact our reputation and, affect the cost and availability of funding that is required to drive long-term performance.	We continued to keep our stakeholders informed through sustained engagements. In addition, we maintained an up-to-date issues register to ensure we remained abreast with the happenings in our universe.
Climate Change	The changes in the weather patterns as occasioned by increasing industrial activity around the world continue to impact agricultural productivity in Tanzania.	We have strategies to implement smart agriculture Programmes and drive climate adaptation agriculture for sustainability.
Cost of operation	The cost of funding, rising inflationary pressure, together with other compounding factors continue to impact TADB's service delivery.	We have invested in an efficient business model and adopted technology in our service delivery across our operations.
Regulatory and policy changes	Growing compliance considerations and provisions which have impacted the rate of expansion of services	We continue to implement related policies and adjust to the changes in the policy environment, including compliance to the regularity requirements and provisions.
Reach & distribution	Owing to the expansive terrain and huge population, the bank's distribution channels and funding capability directly impacts its mandate.	We continue to explore strategic partnerships to drive growth alongside deploying technologies such as mobility to accelerate reach.

This section details the bank's approaches in driving impact through agricultural transformation. The section contains the strategic outlook and key indicators that the bank uses to measure impact.

Section THREE

Strategic Value Creation

Managing Director’s Statement
Reflections on the Year

> *the bank leveraged its unique position in the market and took advantage of the opportunities in the sector to grow our portfolios, while embedding innovative solutions to our customers.*
>
> **Japhet Justine,**
> *Managing Director*

Looking back at the year, it suffices to say that 2020 was a defining year for TADB, following the strategic re-adjustments made in response to challenges in our operating environment. I am glad that, despite the pervasive challenges associated with the COVID-19 pandemic, TADB remained resilient and continued to play its role in driving impact across the country.

Review of the Bank’s Performance

Against a challenging macroeconomic environment, the bank reported improved performance in key indicators, mainly driven by adaptive strategies implemented to drive and sustain growth.

TZS12.6 billion	53%
PBT Growth more than tripled from TZS2.3	CAGR growth for PAT since 2016

During the year under review, the bank’s pre-tax and post-tax profits (PBT and PAT) more than tripled from TZS2.3 billion and TZS1.7 billion reported in 2016 to TZS12.6 billion and TZS 9.0 billion in 2020 respectively. The Bank’s pre-tax and after-tax profits grew by a CAGR of 53% and 52% respectively, on the back of growth in revenue growth attributed to an increase in income-earning assets.

The improved profitability is attributable to the sound strategies that the bank continued to implement to drive growth and achieve optimal efficiencies across its operations. Building on strategic initiatives mooted towards the fall of 2019, we leveraged our unique position in the market and took advantage of the opportunities in the sector to grow our portfolios, while embedding innovative solultions to our customers.

Efficiency has been earmarked as an integral factor in the bank’s growth and therefore, we continued to implement initiatives that guarantee value for money, alongside cost-containment measures in line with our medium-term strategy. These efforts, alongside prudential capital management, resulted in the improvement of the bank’s cost-to-income ratio to 45% in 2020 from 77% reported four years, earlier in 2016.

During the year, the Bank embarked on a project to upgrade its core banking system that is expected to save over TZS 144 million in annual loan management fees paid to third parties.

TADB is committed to maintaining quality assets as part of its sustainability strategy. During the year under review, the bank reported an increase in the Non-Performing Loans (NPL) ratio from 1.79% in 2019 to 4.6%, mostly contributed by COVID-19. The rise did not affect the quality of the portfolio as the ratio was well within the regulatory limits.

	2016	2017	2018	2019	2020	YoY	CAGR 2016 -2020
Impairment of loan losses	0.05	0.03	0.5	1.77	2.9	66%	177%
OPEX	7.3	9.7	11.9	12.3	12.3	0.3%	14%
Cost/Income ratio %	75%	77%	80%	68%	45%		

Key Achievements During the Year

In line with its mandate to transform the agriculture sector in Tanzania, TADB continued to pursue its strategic goals, focusing on both short and long-term objectives. Key achievements recorded during the year include:

- Approval and disbursement of loans amounting to TZS 86.12 billion, which benefited 197,231 smallholder farmers indirectly in more than 14 regions across the country.
- Financing of six agriculture sub-sectors comprising 9 value chains namely: cereals, horticulture, Industrial commodities, livestock, Oil Seeds, and Roots & Tubers.
- Financing the construction of two silos, purchase and installation of silos in Kibaha and Bagamoyo.
- Development of large irrigation projects, viable out-grower’s projects, and development of nucleus farm model countrywide - four big projects were identified and are in different stages of implementation or development.
- Approval and disbursement of TZS 143.65 million towards mechanization projects, mainly purchase of tractors and their accessories under the paddy value chain.
- Advancement of loans amounting to TZS 19.17 billion to support eight agro-processing projects in the dairy, maize, and sugar value chain.
- Allocation of TZS 528 million to finance inputs for paddy and beef fattening, 89 Mechanization equipment, 4 Warehouse, and 3 silos.

Empowering Smallholder Farmers

TADB places a high premium on smallholder farmers because of their role in driving the country’s efforts to achieve food security. To this end, the bank - through an elaborate Smallholder Credit Guarantee Scheme (SCGS) - provides 50% credit guarantee and funding to commercial banks’ lending to the agri-sector covering both the high perceived risks and liquidity challenges.

Through the scheme, the bank is also capacitating banks to tailor their product offerings, create an agri-lending strategy, enhance staff expertise in agriculture value chain financing, and adapt loan processes for the agri-SME market, which is mostly left out when the normal checklist is applied.

During the 2020 financial year, the programme received additional disbursements amounting to USD 3.4 million bringing the total funds disbursed to USD 24.4 million out of the committed USD 25 million for the programme. Through this funding, TADB with partner financial institutions will facilitate lending to the agriculture sector of more than TZS 114 billion.

As of December 31, 2020, TADB through its partner banks NMB, TPB, CRDB, Stanbic, MUCOBA, UCH Commercial Bank, FINCA, TACOBA, and Azania Bank - had guaranteed the disbursement of loans of up to approximately TZS 63.46 billion (the guaranteed amount was TZS 31.73 billion). The loans were mainly for farming inputs for primary production (65%) and financing off-takers (35%). Cumulatively, the Banks financed ▶

more than 8,392 smallholder farmers directly resulting in 748,470 indirect beneficiaries across the country. Through this facility, 29 value chains/ commodities were financed in 27 regions of Tanzania (mainland and Zanzibar), compared with 23 agriculture value chains previously reported.

Promoting Financial Inclusion & Inclusive Finance

TADB understands that to be able to drive impact through financing, deliberate efforts and investments must be made towards financial inclusion and inclusive finance. During the year under review, the bank continued to pursue strategic partnerships for inclusion activities with the support of the Financial Sector Development Trust (FSDT).

During the year, the bank successfully onboarded more than 140,000 coffee farmers in the Kagera region to banking through cooperatives, with an annual turnover in the range of TZS 60 billion. Similar success was reported among cotton farmers with more than 200,000 accounts opened following sector-wide engagements. Broadly, the bank's inclusion initiatives continue to yield impressive results with increased uptake of banking services including credit.

Investing in Our People

TADB believes in investing in its people because they are at the centre of its operations. The bank continued to invest in capacity building through training. During the year, the bank focused on building foundational awareness to staff on the value chain model, product knowledge, and understanding of financial statements as well as legal and governance-related topics. Compliance-related programmes such as Anti Money Laundering and Whistleblowing also formed an important chunk of training for the year. In line with the bank's strategy to achieve efficiency, the human resource function also leveraged technology for learning by establishing the TADBees Lounge platform - an online platform incorporating formal and informal staff engagements in all aspects of the organization.

Future Outlook

TADB is today, more than ever, well-positioned to drive impact within the agriculture sector through the full execution of its mandate. With the continued support and growing confidence among our stakeholders and investor community, we see strong prospects for growth in the years ahead. As the country's premier development finance institution, we remain committed to delivering services to our customers across the country and continuously monitoring our performance indicators to ensure sustainability.

We will continue to draw lessons from the challenges of the past year and build stronger mechanisms to withstand disruptions.

Acknowledgement

Indeed, the TADB journey throughout 2020 has been characterized by resilience and collaboration. We remain grateful to our stakeholders, i.e., the government, partners, the board, management team, and the staff of TADB for their steadfastness and enduring commitment. We are also eternally grateful to our customers for trusting us with the privilege to serve them. We remain committed to transforming agriculture in Tanzania.

Japhet Justine,
Managing Director

8,392
smallholder farmers Financed by partner Banks

748,470
Indirect beneficiaries across the country under SCGS

29
Value chains/commodities financed during the 2020FY

140,000
Coffee farmers onboarded in the Kagera region to banking through cooperatives

200,000
cotton farmers opened accounts with banking institutions

TZS 63.46 Billion
Worth of loans guaranteed through partner banks

Value Creation Business Model

OUR CAPITAL INPUTS

FINANCIAL CAPITAL [RISK CAPITAL]

TADB leverages its financial resources to deliver on its establishing mandate and drive sustainable impact. The financial capital comprises shareholders equity, grants, and budgetary allocations from the Government.

HUMAN CAPITAL

TADB invests competent human capital by hiring the best-skilled persons for each job. We have a diversity policy that focuses on the competency and professional capabilities of our people.

INTELLECTUAL CAPITAL

TADB's competitive advantage rests on its commitment to the promotion of innovation and creativity. The Bank has a dedicated team of strategy experts who guide its investments and funding options. The solutions developed are proprietary, and market-driven.

RELATIONSHIP AND SOCIAL CAPITAL

TADB is Tanzania's premier development finance institution (DFI). The Bank derives its brand value mainly through its impact-driven programmes and relationships with stakeholders through effective communication. The bank sustains beneficial engagements with the government, regulators, vendors, donor groups, and public institutions.

NATURAL CAPITAL

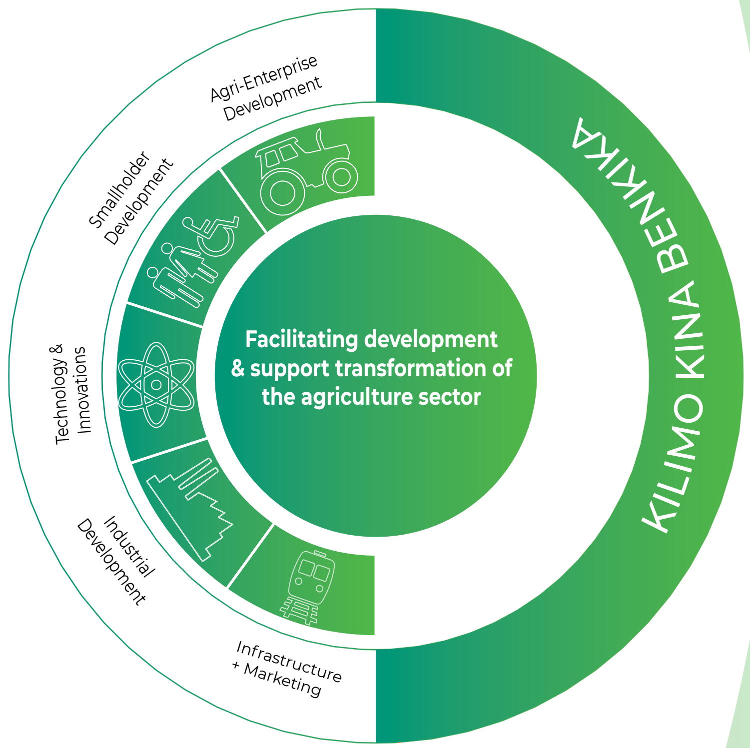
The environmental resources used throughout our operations. We are committed to reducing our carbon footprint by remaining conscious of our materiality. We continue to invest in climate adaptation agriculture and maintaining a carbon-neutral footprint.

VALUE CREATION BUSINESS ACTIVITIES

We leverage strategic partnerships to drive impact across the country through financing, agri-transformation and financial inclusion.

OUR 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.



FOCUS

LIVESTOCK | FISHERIES | CROPS

OUR INSTRUMENTS & SOLUTIONS

INVESTMENT SOLUTIONS

- Risk Financial Capital
- Creation of Diverse Financial Deal Opportunities
- Provision of TADB knowledge
- Provide higher-value-added services, such as structured financing & mezzanine financing.
- Promote long-term Investments and growth strategies for the companies.

INSTRUMENTS

- Long term Finance
- Financial Advisory
- Structured Finance
- Banc Assurance
- Seasonal loans
- Policy Papers
- SCGS
- Trade Finance
- Project Finance
- Asset finance

RESULTS

- Policy adoption/improvements
- Value chain financing
- Markets creation
- Crowding-in (co-financing and syndications)
- PPP arrangements

OUTPUTS

ECONOMIC VALUE CREATION

1. **Income and GDP growth.**
2. **Agriculture productivity** - Contributing towards achieving the agricultural sector growth.
3. **Value addition** - Facilitating and providing balanced access to affordable medium to long-term finance to agriculture value chains.
4. **Industrialization** - Strengthening infrastructure developments like irrigation schemes, transportation programmes, storage, market infrastructures, and processing facilities which contribute to agricultural development.
5. **Exports** – Increasing the availability of internal food security as well as capitalizing on the potential for exports of surplus production.

SOCIAL VALUE CREATION

1. **Poverty reduction** - Facilitating the achievement of sustainable food self-sufficiency and food security.
2. **Smallholder transformation** - through the mobilization of low-cost sustainable financial resources for affordable agricultural financing and enhancing financial inclusion for subsistence and smallholder farmers.
3. **Agriculture commercialization** – by promoting modernization and commercialization of small-scale farmers.
4. **Jobs creation** - by increasing farm-level productivity, which is key to job creation and economic transformation.
5. **Food Security** - facilitating the country's achievement of sustainable food self-sufficiency and food security.

Strategic Value Unlocks
Key Impact Indicators

STRATEGY	VALUE DRIVER	PROJECT	TARGETS	ZONES COVERED
IMPACT AREA 1: POST- HARVEST MANAGEMENT				
Facilitate investments in warehouses, silos and cold chain facilities	Productivity	Warehouses, silos, cold chain facilities	• 15 storage warehouses funded • 11 silos funded • 7 cold chain facilities funded	5
Finance investments in new ago-processing facilities and revamping/modernizing existing ones	Value addition	Agro-processing and value addition	• 34 agro-processing factories funded	5
Facilitate investments in the blue economy (fisheries)	Market Growth	Blue economy	• Feasibility study for guiding investment in TAFICO (June 2021) Fishing vehicles for TAFICO co-funded (vessels with processing facilities) • Cold facilities funded (1 each for TAFICO and ZAFICO) • Outreach programs in favor of SMEs and small-scale fishers developed and funded by December 2021	1
Facilitate investment in agro-industrial export processing zones in major export trading hubs	Productivity/ Market growth	Agricultural exports	• Feasibility study and investment theses around the Kahama – Isaka area delivered by April 2021 • Investment theses for attracting investors to partake in identified opportunities delivered by April 2021 • Investments in agro-processing, storage & trade deals funded by Sept' 2021	8
Facilitate market linkages between producers and off-takers of agricultural commodities	Market Growth	Market linkages	• 31 agricultural commodities trade deals closed by December 2021	5
IMPACT AREA 2: INCREASING AGRICULTURAL PRODUCTIVITY				
Increase access to inputs by the youth, women and smallholder farmers	Productivity	Seeds, fertilizers, agro-chemicals	• TZS 25.35 billion input loans disbursed through projects following the Integrated Agricultural Value Chain Financing (IVCF) Model	5
Facilitate adoption of mechanized technologies	Productivity	Tractors, planters, combine harvesters etc.	• 150 mechanization equipment funded through the TADB/Loan Agro product	5
Build capacity for irrigation and Climate Smart Agriculture (CSA)	Sustainability	Irrigation schemes & CSA projects	• 17 irrigation schemes funded	5
IMPACT AREA 3: PROMOTING ENTERPRISE DEVELOPMENT (NEW PROJECTS DEVELOPED FROM SCRATCH)				
Develop value chain projects following the Integrated Value Chain Financing (IVCF) Model	Productivity	Enterprise development	• 20 projects following the IVCF model developed and funded	5
Roll-out the Farmers E-Learning Project	Capacity Building	Farmers E-Learning Project	• Joint MOU for implementation of the Farmers E-Learning Project signed by Jan. 2021 • Farmers E-Learning Portal operational effective June 2021	5
Roll-out the Farmers Profiling Project	Productivity/ Market growth	Farmers Profiling Project	• Joint MOU for implementation of the Farmers Profiling project (Jan 2021) • Farmers profiling for cotton, coffee and sisal completed by Dec. 2021	5

Key Targets for the Smallholder Credit Guarantee Scheme (SCGS)

STRATEGY	VALUE DRIVER	PROJECT	TARGETS	ZONES COVERED
IMPACT AREA 1: POST-HARVEST MANAGEMENT				
Finance investment in storage facilities	Productivity	Warehouses, silos, cold chain facilities	• Guarantees to support post harvest facility financing- TZS 1.5bn	5
IMPACT AREA 2 : INCREASING AGRICULTURAL PRODUCTIVITY				
Increase access to inputs to smallholder farmers	Productivity	Farm inputs,	• TZS 27 billion in new loan guarantees	5
Facilitate adoption of mechanized technologies	Productivity	Equipment	• TZS 1.5 billion in guarantees to support mechanization equipment	5

Our Capitals

Instruments for Creating Impact

TADB understands that as the country's premier development finance institution, its relevance and impact, today and in the future, along with its ability to create long-term value for stakeholders are dependent on the institution's ability to effectively manage, and leverage the forms of capital available to us.

Financial Capital

Our shareholder and debt funding gives us a strong capital base that supports our operations and fund growth.

Financial capital includes budgetary allocation from the government, concessionary loans, and third-party funds.

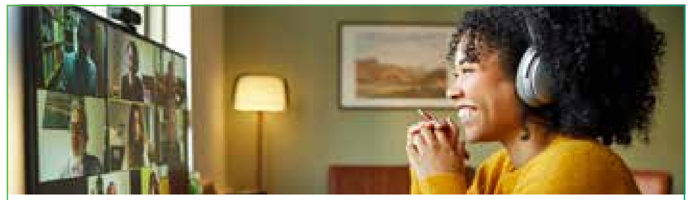
TADB leverages strategic partnerships to secure funding from development partners, Non-Governmental Organisations (NGOs), donor agencies, and other institutions of goodwill.

Intellectual Capital

TADB has invested in building a strong brand and robust propositions for its customers. The Bank offers specialized products, ranging from short-term to long-term financing, blended finance, as well as, capacity building. We have strong partnerships both within the country and outside the country. As Development Finance Institution, TADB is a research-driven enterprise and has integrated R&D into its operations. The bank has also made commendable progress in digital adoption and has invested in a robust IT estate, including a dynamic Core Banking System to drive efficiency.

Manufactured Capital

To be able to serve its diverse set of customers, TADB continues to invest in robust service channels and physical infrastructure across the expansive Tanzania geography. The bank has branches in 4 zones across the country and is integrating technology, including digital mobility in its services. Given the impact of technology on the banking sector, TADB is currently investing in modern technologies to enhance its reach and accelerate the transformation of the sector.



Human Capital

TADB understands its success as a public institution is dependent on its ability to keep a competent workforce that is fully engaged and motivated. The employees of the Bank are qualified experts, guided by a clear vision and anchored in strong values. We are focused on embedding a culture of continuous development, which increases competitiveness and investment in the development of skills required by employees to drive impact now and in the future. During the 2020 FY, the Bank had a total of 76 employees.

Employees by Gender

	2019	2020
Male	46	49
Female	29	28
Total Employees	75	76

Social & Relationship Capital

The facet of development finance implies widespread stakeholder engagements and sustained communication between the various parties to the country's development agenda. TADB understands that to foster meaningful exchanges, it must ensure stakeholders are engaged regularly and responsibly. The bank endeavours to drive value for its stakeholders through impact-led investments. We value the views of our stakeholders because they shape our response to business and societal issues.

Natural Capital

This constitutes the environmental resources used throughout the Bank's operations. TADB is committed to playing its role in mitigating the effects of Climate Change especially because it has a direct impact on agriculture and food production. The bank, through strategic partnerships, continues to drive agriculture climate adaptation through smart agriculture. Internally the bank has mechanisms that guide its administrative activities to reduce its carbon footprint and remain conscious of its materiality.

Key Impactful Interventions

Projects Financed by TADB in 2020

Value Chain	Location	Cluster	Project Description	Loan Purpose	Approved Amount	Disbursed Amount	Number of Beneficiaries	Project Partner(s)
Grain.	Bagamoyo, Kibaha, Coastal, Rukwa, Ruvuma, Kagera & Arusha.	Eastern Zone.	Installation of modern maize milling machines, storage silo and weighbridge in Sanzale, Bagamoyo District.	To finance input supply, mechanization, post-harvest management & Agro-Processing & Purchase of animal feed processing plant.	TZS 13 billion.	TZS 6.793 billion.	3,102 smallholder farmers.	AGRA, FTMA, RUDI, LGA, BRITEN, SEEDCO, YARA and AVI.
Paddy post-harvest management.		Southern Highland Zone.	Working capital for the purchase of paddy.	Working capital for the purchase of paddy	TZS 300 Million.	TZS 300 Million.	1,005	NMB.
Dairy & beef, livestock.	Korogwe, Tanga, Njombe & Arusha.	Eastern Zone, Southern Highland zone.	Intervention to ease up working capital & cash flows by taking over NMB facility, Procurement of Extended Shelf Life (ESL) Machines, construction of 18 Milk Collection Centers (MCC) for a Dairy project located at Kange area, Tanga.	To finance Capex and working capital paying farmers.	TZS 10.7 billion.	TZS 8.9 billion.	26 AMCOS with 6900 smallholder dairy farmers.	Heifer International Njolifa, LGA.
Dairy & beef, livestock.	Msata, Bagamoyo.	Eastern Zone, Southern Highland zone.	Intervention to facilitate cattle breeding, fattening, and slaughtering facility.	For procurement of breeding stock, fattening stock and Meat processing machines.	TZS 347 million.	TZS 257 Million.	2 direct; Indirect beneficiaries: 15 livestock keeper in Bagamoyo.	CRDB & TPB.
Dairy & beef, livestock.	Arusha.	Northern Zone.	Manufacturer & Supplier of Veterinary Medicine, Agro-Chemicals, Animal Feeds & distribution of meat products, located in Arusha.	To finance capital expenditure (CAPEX) requirements of the project.	TZS 949 million.	TZS 591 million.	Small and medium livestock keepers in Arusha.	CRDB & TPB.
Sugarcane.	Bagamoyo.	Coastal.	To finance newly established sugar plantation in Bagamoyo.	To part finance costs for nursery expansion, farming infrastructure development and purchase of irrigation equipment.	TZS 15 billion.	TZS 9.22 billion.	when completed at phase 2&3, the project will benefit more than 3460 smallholder farmers in the distric.t	CRDB, STANBIC BANK & STANDARD CHARTERED BANK.
Palm Oil, Groundnuts & Sunflower.	Kigoma & Arusha.	Southern Highland zone, Northern Zone.	Procurement of oil palm milling, oil palm refinery, packaging machines and distribution vans.	To finance capital expenditure (CAPEX) requirements of the project.	TZS 444 million.	TZS 367 million.	847 smallholder farmers including 13 Amcos in Kigoma region.	Local investment climate (LIC) under DANIDA.
Palm Oil, Groundnuts & Sunflower.	Kigoma & Arusha.	Southern Highland zone, Northern Zone.	Groundnuts Processing mills plant brown field located in Arusha municipality.	Capital expenditure i.e. purchases of distribution truck (Hiace Van)/ Working capital (purchases of raw materials (groundnuts) from Chemba DC.	TZS 130 million.	TZS 70million.	36 smallholder farmers.	Local investment climate (LIC) under DANIDA.
Palm Oil, Groundnuts & Sunflower.	Kigoma & Arusha.	Southern Highland zone, Northern Zone.	Sunflower Oil processing plant, private owned and located in Singida (Manyoni).	Capital Expenditure/Working capital for purchases of raw materials.	TZS 2,221 million.	TZS 1,619 million.	829 smallholder sunflower farmers.	Local investment climate (LIC) under DANIDA.
Potatoes & Irish potato.	Rungwe, Bunju, Dar es Salaam.	Southern Highland zone.	Purchase of inputs for Potato farmers, Finance capex for purchase of land, irrigation system, installation and working capital.	To finance purchase of two trucks for distribution of potatoes from smallholder farmers in Njombe & Mbeya to DSM.	TZS 324.8 million.	TZS 524.8 million.	4,750.	LGA and Stawisha.
Horticulture Project.		Southern Highland zone.	Capital expenditure for purchase of land, irrigation system and installation and working capital.	Capital expenditure for purchase of land, irrigation system and installation and working capital.	TZS 470 million.	TZS 96.6 million.	100 out growers.	SACGOT.
Horticulture Project.	Dodoma.	Central Zone	Winery making project Brownfield, youth private owned project with operations based in Dodoma (Chamwino).	Capital expenditure (CAPEX) loan for new facilities & working capital facility for purchases of grapes from farmers.	TZS 498 million.	TZS 223million.	60 smallholder farmers.	TARI.
Coffee rehabilitation project.	Songwe, Kagera and Mara.	Lake Zone, Southern	Intervention to facilitate unions to trade facilities for purchasing & collection of dry cherry coffee from smallholder farmers, processing & selling of clean	Working capital for the purchase of dry cherry coffee.	TZS 45.1 billion.	TZS 44.3 billion.	125,039 smallholder farmers.	TCB and LGA's. CRDB and NMB for financial Institutions.
Cotton Ginneries Project	Chato, Kahama, Bukombe and Mbogwe	Lake Zone.	Revival of 3 Union ginneries Cooperative Union) which had not been operations for the last 7 years.	Revival of 3 Union ginneries Cooperative Union) which had not been operations for the last 7 years.	TZS 17.6 billion.	TZS 7.6 billion.	11,000 smallholder farmers. Did capacity building to Union leaders for 5 Union.	LGA,s of respective areas and NMB and TPB bank as commercial Banks.
Fishing Projects.	Mwanza, Kagera & Mara.	Lake Zone.	Intervention to unlock fish value chain (through working capital, technology & equipment's) which had for a long time not had appetite from commercial banks.	Capital expenditure (CAPEX) loan for new facilities and working capital facility for purchase of equipment.	TZS 1.7 billion.	TZS 1.6 billion.	5,200 fishermen and other fish traders in Kagera, Geita, Mwanza and Mara Region.	LGA's for all projects & Ministry of Fishery for the Fishing cooperative society projects.
Irrigation scheme.	Chalinze, Ruvu.	Eastern Zone.	Phase 1 of the project, Capital Expenditure (CAPEX) loan for purchase of farm mechanization equipment.	Working Capital/Capex.		TZS 471.75 million.	894 smallholder farmers (326 women). Indirect Beneficiaries: 28,826 surrounding the scheme.	AGRI-TERRA.
Poultry.	Kigamboni, Dar es Salaam.	Eastern Zone.	To finance construction of 2 poultry sheds, distribution truck, feeder & drinkers for poultry farm located at Kigamboni, Dar es Salaam.	Working Capital/Capex.	TZS 106.98 million.	TZS 106.98 million.	1 smallholder farmer, 5 jobs.	N/A.

Our Strategy
Medium-term Outlook

Financial

- Build Capacity for Resource Mobilization
- Unlock funding opportunities from existing partnerships
- Mobilize strategic resources (capitalization & long-term funds, credit risk mitigation & technical assistance)
- Build synergies for project co-financing
- Improve financial performance

Learning & Dev't.

- Maintain adequate staff complement
- Create and sustain a high performance culture
- Increase employee satisfaction
- Promote strategic collaboration and knowledge exchange

Processes

- Improve Process efficiency
- Improve business turnaround time
- Improve management of risks
- Sustain legal and regulatory compliance
- Improve the strategic management process

Customer

- Enhance customer experience
- Increase customer awareness on products, services & delivery channels
- Improve stakeholder engagement
- TADB customers, farmers unions, input suppliers, nucleus farmers, off-takers, agro-processors, exporters

Impact

Improving post-harvest management

- 15 storage warehouses funded,
- 11 silos funded; 7 cold chain facilities funded,
- 34 agro-processing factories funded,
- Cold facilities funded (1 each for TAFICO and ZAFICO),
- Outreach programmes in favour of SMEs and small-scale fishers developed,
- 31 agricultural commodities trade deals closed by December 2021.

Increasing agricultural productivity

- TZS 25.35 billion input loans disbursed through projects following the Integrated Agricultural Value Chain Financing (IVCF) Model
- 150 mechanization equipment funded through the TADB/Loan Agro product
- 17 irrigation schemes funded

Promoting social capital development

- 20 projects following the IVF model developed
- Farmers E-Learning Portal
- Joint MOU on Farmers Profiling
- Farmers profiling for cotton, coffee and sisal

This section outlines the key business activities in relation to the bank's medium- term and long-term strategies. It provides a detailed account of the departmental initiatives undertaken during the year.

Section FOUR

Delivery Against Strategy

Reflections from the Director of Finance

In principle, the sector remains the main contributor to the economy, accounting for an average of 27% of GDP with annual growth averaging 5%.

Derick Lugamela
Director of Finance

Disruptions from the COVID-19 pandemic were far-reaching for most sectors of the economy in Tanzania, as was the case in other parts of the world. At the height of this unprecedented crisis, two key issues emerged for most organisations and; more so, financial institutions: resilience and sustainability.

Confronted by pervasive macroeconomic challenges, including severe disruptions in the global supply chains, the trade, SME, and hospitality sectors experienced significant shockwaves, diminishing productivity and value. The resultant ripple effect extended to the appending value chains, exacerbating the challenges for businesses, households, and governments.

The Tanzanian Government's decision to keep the economy open during the height of the COVID-19 crisis proved beneficial, allowing local business activities that meant the free flow of commodities and services. Additionally, the mitigation measures by BOT bonded well with the economy, easing pressure on businesses whose ability to repay their loans was affected by decreased business activity.

TADB's priority during the year was to safeguard its staff and customers and ensure it sustains a healthy portfolio in the face of the ensuing challenges. The strategy paid off, albeit with an expected shave on the projected performance for the year.

Review of the Bank's Performance

Despite the COVID 19 pandemic, which impacted the global and regional economies, the bank's pre-tax and post-tax profits (PBT and PAT) more than tripled from TSH2.3 billion and TSH 1.7 billion in 2016 to TSH 12.6 billion and TSH 9.0 billion in 2020 respectively. Accordingly, the Bank's pre-tax and after-tax profits grew by a CAGR of 53% and 52% respectively; attributable to sustained growth in revenue fuelled by an increase in the income-earning assets portfolio. As the end of the year, the bank's earning assets constituted 95% of total assets, and has been growing year on year. Additionally, the concerted measures to contain costs have also contributed to improved profit margins.

During the year under review, the Bank continued to make headway in revenue generation, with remarkable growth in the Net Interest Income (NII), which increased from TSH 9.6 billion in 2016 to TSH 26.0 billion; with Compounded Annual Growth Rate (CAGR) of 28% for the past five years. The growth in NII is attributable to a growth in loans and advances to customers and short-term investments/placements with banks. The latter has been growing year-on-year, with closing the year with an disbursement of TSH 88 billion.

Revenue Performance

The 71% growth in revenue, which translates to TSH 10.7 billion, reported in 2020 stemmed from growth in customer loans and an expansion in the Bank's balance sheet growth ahead of TSH 104 billion long-term loan inflow from the African Development Bank (AfDB) towards the fall of 2019. Additionally, the Bank netted a TSH 23 billion facility from IFAD to fund the smallholder credit guarantee Scheme (SCGS) activities.

On the other hand, interest expenses grew by 12% during the year, resulting from the full-year effect of the AfDB 104 billion long-term loans received towards the end of 2019. More so, the bank continued to pay interest on special deposits, which the bank mobilised for the special loan transaction. Cumulatively, the Non-interest income increased at a CAGR of 83% from TSH0.2 billion in 2016 to TSH 2.2billion in 2020.

Growth in non-interest income was largely driven by fees and commissions income (accounting for 67% of income-earning assets), which have been growing year on year. The slight drop during the year 2020 was attributed to higher fees earned on a special transaction done by the bank during the years 2018 and 2019. Despite that drop, the bank increases non-assets-based feed during the year 2020 by focusing on Forex sale revenue which grew by more than 100% during the year.

Operating Expenses

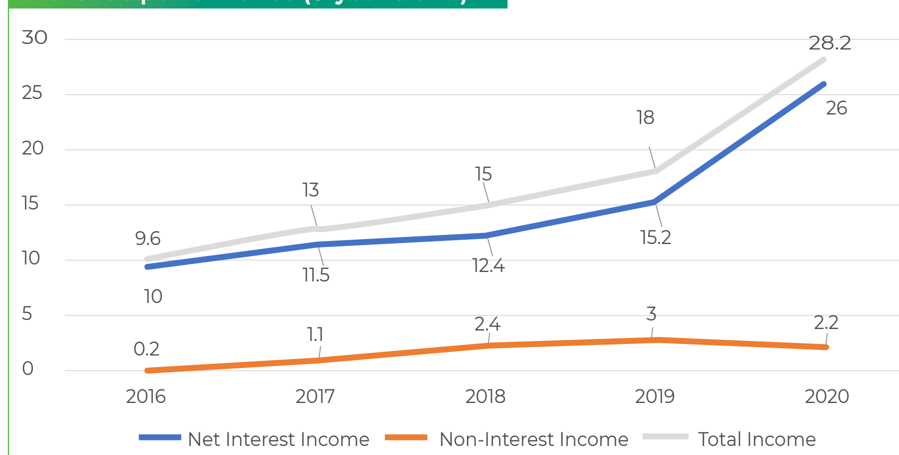
The Bank continued to optimize its operations to increase efficiency and drive value for stakeholders. During the year under review, operating expenses (OPEX) remained stable at TSH 12.3 billion, although a significant increase from TSH 7.3 billion was reported in 2016. Cumulatively, the bank has recorded a CAGR of 14% in OPEX hence positive Jaws of 16% with the total revenue CAGR of 30%. It is worth noting, however, that the bank's operating cost levelled at an average 0.3% growth YoY, mainly due to muted activities ahead of COVID-19 and less staff cost driven by lower headcount.

The Bank's efforts to drive efficiency yielded positive results with a notable improvement in the efficiency ratio over the four-year period from 2016. During the year under review, the bank's Cost-to-income-ratio (CIR) stood at 45% from 77% reported in 2016 to 45% in 2020. The improvement in the Bank's efficiency points to the management efforts to manage costs effectively and ensure adequate profit margins.

Summary Revenue Indicators

	2016	2017	2018	2019	2020	YoY	CAGR 16-20
Net Interest Income	9.6	11.5	12.4	15.2	26.0	*71%*	*28%*
Non-Interest Income	0.2	1.1	2.4	3.0	2.2	*-25%*	*83%*
Total revenue	10.0	13.0	15.0	18.0	28.2	*57%*	*30%*
As % of total income							Average %
Net Interest Income	98%	92%	84%	84%	92%		90%
Non-Interest Income	2%	8%	16%	16%	8%		10%
Total revenue	100%	100%	100%	100%	100%		100%

Revenue performance (5-year trend)



> During the year, the Bank continued to make headway in revenue generation, with remarkable growth in the Net Interest Income (NII), which increased from TSH 9.6 billion in 2016 to TSH 26.0 billion; with Compounded Annual Growth Rate (CAGR) of 28% for the past five years.

	2016	2017	2018	2019	2020	YoY	CAGR 2 016-2020
Impairment of loan losses	0.05	0.03	0.5	1.77	2.9	66%	177%
OPEX	7.3	9.7	11.9	12.3	12.3	0.3%	14%
Cost/Income ratio %	75%	77%	80%	68%	45%		

Asset Quality

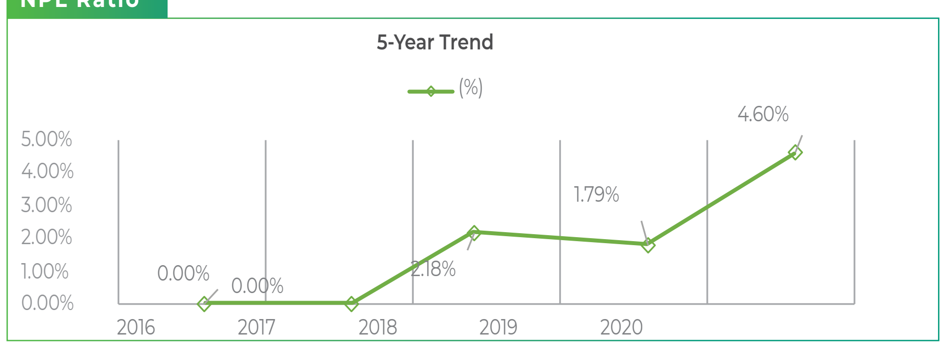
TADB is committed to maintaining quality assets. During the year, the bank's impairments for loan losses increased to TSH 2.9 billion in 2020 in tandem with the loan book growth. Cumulatively, the impairments reported a CAGR of 177% from TSH 0.05 billion in 2016. Despite the increase in loan loss provisions, the bank continued to maintain a quality loan portfolio with the NPL ratio well below the Bank of Tanzania threshold of 5% and below the industry average of 9.8% (BoT report June 2020). The bank's NPL ratio closed at 4.60%. as at December 21, 2020.

Driving shareholder value

TADB continues to drive impact and create sustainable value for its shareholders, strengthened by sound management practices and innovative offerings. During the year under review, the Bank's Return on Average Equity (ROAE) closed at 12.2%, a significant improvement from the 4.5% reported in the previous year. Cumulatively, the ROE has improved tenfold by 2.7% in 2016, buoyed by an increase in earning assets.

The overall return on capital and profitability margins achieved for the period under review are relatively low partly due to the low-interest rate charged to customers as per TADB policy to promote agricultural sector development compared to prevailing market rates. In addition, zero interest rate special purpose deposit classified under interest-earning assets (loans) has also diluted profitability ratios.

NPL Ratio



Key Ratios

	2016	2017	2018	2019	2020	YoY	CAGR 2016-2020
ROAA	2.50%	2.30%	0.70%	0.50%	2.54%		
ROAE	2.70%	4.20%	5.20%	4.50%	12.24%		
Cost to Income ratio	75.0%	77.0%	80.1%	67.9%	45.0%		
Credit loss ratio	1.39%	0.26%	0.70%	1.68%	2.41%		
NPL ratio	0.00%	0.00%	2.18%	1.79%	4.60%		
PBT TZS Billion	2.3	2.9	2.5	4.1	12.6	206%	53%
PAT TZS Billion	1.68	2.79	1.93	3.06	9.0	193%	52%

> During the year, the Bank's Return on Average Equity (ROAE) closed at 12.2%, a significant improvement from the 4.5% reported in the previous year

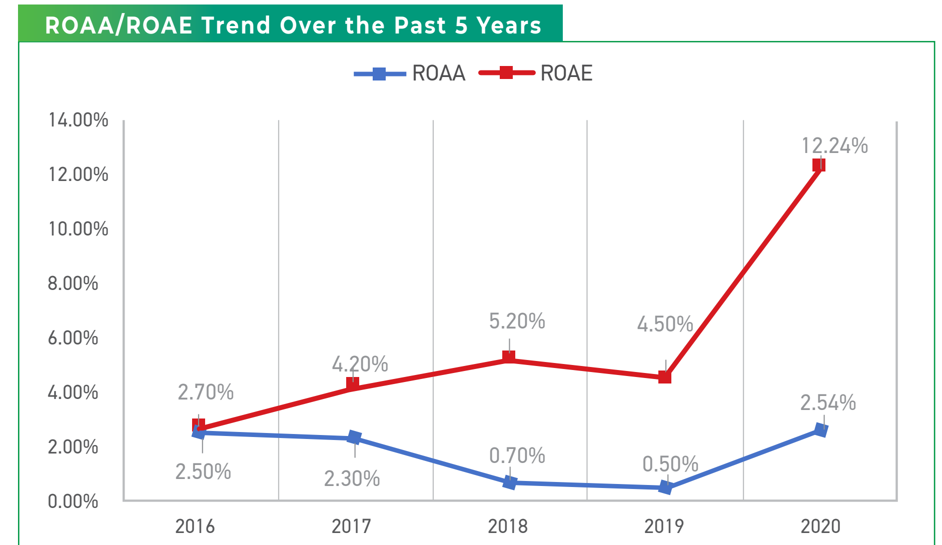
Future Outlook

The broad immunization programmes and other ongoing pandemic prevention measures offer hope for the economic environment in 2021. Priority one for the TADB is to maximize productivity and close all performance gaps in order to hasten the implementation of the strategy.

Along with the central bank's stimulus programmes, recent concessional loans from foreign lenders are anticipated to strengthen market liquidity and expand commercial prospects.

We will continue to position ourselves in a favourable position to seize opportunities that may arise in the market with the anticipated economic development brought on by restored investor confidence and a potential increase in FDI flow. With increasing assets, a balanced operating budget, and a good cash reserve, TADB's position remains robust.

ROAA/ROAE Trend Over the Past 5 Years



Derick Lugamela
Director of Finance.

Credit & Business Development Report

Unlocking the Sector's Potential

Afia Sigge
Ag. Director of Credit & Business

Tanzania's ambition to accelerate economic growth and eradicate poverty is hinged on its ability to produce enough for local consumption, and surplus for export markets. TADB, being the country's premier Development Finance Institution, sits at the fulcrum of economic development, since agriculture is the country's mainstay. The Bank has a clear mandate to transform the agriculture sector to attain self-sufficiency in food production and exports.

Emerging from a depressed economic environment in the wake of the COVID-19 pandemic, the bank, sustained its focus on bridging the financing gap within the agriculture sector in 2020, with a sharp focus on the Smallholder farmer through the proprietary Smallholder Credit Guarantee Scheme (SCGS) programme. During the year under review, the Bank successfully financed six sub-sectors of agricultural produce comprising nine (9) value chains namely:

1. Cereals (maize, paddy and sorghum)
2. Horticulture (vegetables, grapes and fruits),
3. Industrial commodities (sugarcane, coffee, cotton & sisal);
4. livestock (dairy, beef, fish & Poultry);
5. Oil Seeds (groundnuts, sunflower, palm oil) and
6. Roots & Tubers (potatoes, Irish potatoes, cassava).

Out of the 9 value chains, coffee, beef, dairy, sorghum and sugarcane received the highest share of credit, consistent with the Bank's strategy to accelerate the growth and productivity of high-value crops for export.

As at December 31, 2020, a total of TZS 126 billion was disbursed, representing 22.1% growth from 2019, where a total of TZS 104 billion was disbursed.

Under the Smallholder Credit Guarantee Scheme (SCGS), the bank issued loans amounting to TZS 86.12 billion in the year under review. The approved loans directly benefited more than 197,231 smallholder farmers in Njombe, Mbeya, Songwe, Tanga, Dar es Salaam, Pwani areas, Kigoma, Iringa, Ruvuma, Njombe, Rukwa, Kagera and Mara. Additionally, the Bank, through its partners guaranteed the disbursement of loans of up to TZS 63.46 billion (guaranteed amount of TZS 31.73 billion). The loans were mainly for farming inputs for primary production (65%) and financing off-takers (35%).

Cumulatively, TADB, through its partner banks, directly financed more than 8,392 smallholder farmers, with a multiplier impact on an estimated 748,470 indirect beneficiaries across the country.

Value Chain Financed	2019 TZS (Billions)	2020 TZS (Billions)
Cashew nuts	35.1	-
Coffee	16.3	36.1
Sorghum	11.7	16.2
Beef	9.2	11. 8
Sugarcane	6.9	16.0
Maize	6.2	9.6
Cotton	6.1	7.6
Paddy	3.8	4.7
Sunflower	3.1	5.9
Diary	1. 8	12.0
Fishing	1.2	1.7
Poultry	0.7	1.3
Tomato	0.4	0.3
Avocado	0.4	0.5
Palm Oil	0.2	0.6
Onions	0.1	0.4
Irish Potatoes	0.1	0.8
Honey	0.07	0.07
Others	0.5	0.5

Through the SCGS, a total of 29 value chains/commodities were financed in 27 regions of Tanzania (mainland and Zanzibar), compared to 23 value chains reported in the preceding year.

In line with the bank's wider mandate to support government efforts in developing the agriculture sector, the Bank extended specialised facilities to various projects as follows:

Project	Purpose	Amount
8 agro-processing projects in the Dairy, Maize and Sugar value chain	Supporting industrialization	TZS 19.17 billion
Purchase of a tractor, and its accessories under paddy value chain	Mechanization	TZS 143.65 million

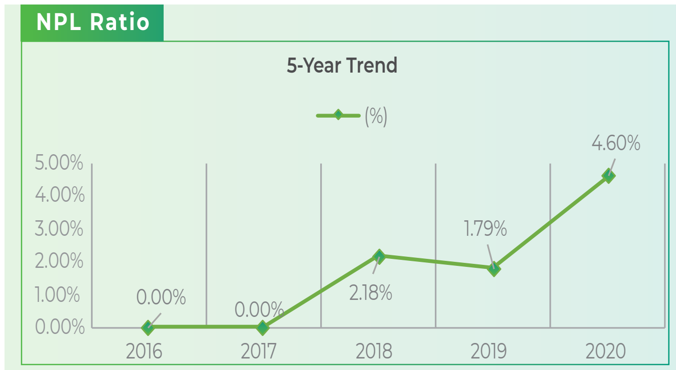
Sustaining the Quality of the Portfolio

TADB understands that to make a meaningful impact, it must endeavour to sustain a healthy loan book. Coming from a challenging period, the bank prioritized engagements with its borrowing customers to support them during the crisis and ensure repayments don't fall back amid the disruptions in the global supply chain. The bank dutifully implemented the Bank of Tanzania (BoT) guidelines on loan repayments and restructured loans for affected customers, alongside moratoriums for specific sub-sectors.

The interventions paid off with a positive reflection on the bank's Non-Performing Loan (NPL) ratio, which closed well below the regulatory cap and industry average.

At the end of the year, the portfolio guaranteed by TADB reported an NPL ratio of below 2% , with a repayment rate of more than 50% of loans disbursed. This provided an opportunity to roll over and revolve the fund multiple times, impacting more farmers.

NPL Ratio



Enhancing Distribution

To deepen impact, the bank leveraged strategic partnerships to widen its reach within the country. Specifically, we partnered with local financial services providers as well as microfinance institutions as part of its distribution enhancement strategy. During the 2020 FY, the bank partnered up with 9 financial institutions; namely; NMB, TPB, CRDB, Stanbic, MUCOBA, Uchumi Commercial Bank, FINCA, TACOBA, and Azania Bank under the Smallholder Credit Guarantee Scheme (SCGS) Programme. The partnerships enabled the scheme to reach more smallholder farmers through the respective partners' branch networks.

TADB is in active discussions with 5 additional banks with regard to the signing of the SCGS contracts. These 5 banks are NBC, Exim, KCB Bank Tanzania, Absa Bank Tanzania and Maendeleo Bank. We anticipate that before the end of the second quarter of 2021, agreements will be signed with these banks. Furthermore, engagements are ongoing to sensitize other banks and financial institutions on the scheme.

Looking Ahead

In 2021, we will focus on increasing access to finance for smallholder farmers through SCGS, with a particular focus on women and youth. Furthermore, the scheme through its technical assistance fund of USD 1.43 million, will focus on developing strategic partnerships to provide well-structured adapted solutions for smallholder farmers.

SMEs, Trade, and Agriculture go hand in hand and complement each other as well as support the achievement of the country's vision for export-led growth. Going into 2021, we will launch its Agro-Trade Trade and Supply Chain Finance Programme to catalyse credit access for SMEs involved in agriculture value chains by providing banks with liquidity under specific mandates that such funds be utilized towards supporting SMEs with linkages to agricultural value chains hence unlocking the challenge of constrained access to financing.

Planning, Research & Policy Report

Leveraging Data to Drive Agri-transformation

Colleta Ndunguru
Director of Planning, Research & Policy

The 2020 financial year brought to the fore various critical issues in enterprise development, especially in the context of disruptions such as the global pandemic. Key among the issues that stood out were enterprise resilience and sustainability. For TADB, resilience implies the ability to withstand significant disruptions and ensure achievement of the Bank's strategy towards transforming the agriculture sector.

During the year under review, the Bank continued to undertake various initiatives in line with the overall mandate, while remaining conscious of the macroeconomic environment. As the apex advisory arm to the Government on agricultural development, the bank prepared and submitted various policy briefs, investment and funding proposals and various recommendations to the government for consideration. Some of the policy briefs and recommendations submitted in the course of the year include; proposed policy interventions to facilitate effective implementation of the wheat import substitution strategy, strategies to safeguard coffee exports and revival of cooperative unions, with a special focus on the cotton sub-sector. The latter was aimed at guaranteeing farmers' incomes and forex earnings in the wake of the COVID-19 pandemic.

Strengthening Strategic Value Chains

TADB is committed to playing a leading role in agriculture transformation through value chain financing. During the year, the bank continued to finance strategic value chains, with the aim of expanding opportunities for the different sub sectors. To accelerate growth of the cotton sub-sector, the Bank recommended the revival of cooperative unions and adoption of a farmer-centered approach to the industrialization of the cotton sub-sector. The latter would involve a revival of cotton ginneries, investment in cotton/edible oil milling and establishment of efficient and transparent marketing system for cotton through the Tanzania Mercantile Exchange (TMX). Recommendations from the policy brief were adopted by the Ministry of Finance and Planning leading to approval of TADB plans to revive 3 cooperative ginneries in the Lake Zone that were defunct. As at the end of the financial year, 2 ginneries had been revamped and began operations in 2020; 3 other ginneries were scheduled to be commissioned in 2021.

During the year under review, the bank was also intent on streamlining investments in the cashew sub-sector, in line with the country's long-term plan. Towards this end, the Bank proposed the adoption of a strategy to attract investment to expand cashew production and promote value addition by expanding the capacity of existing processors and attracting new investment. A set of policy recommendations towards improving the business environment around the cashew sub-sector were also submitted for consideration.

For the edible oils subsector, the Bank explored opportunities for import substitution as policy intervention to unlock the full potential and drive value. During the year, the Bank submitted recommendations aimed at promoting the growth of the sunflower sector to deliver the envisaged import substitution outcomes – attracting additional investment in sunflower seeds production, investment in solvent extraction technology and improve the competitiveness of Tanzania's sunflower oil.

To grow the livestock value chain, the Bank mooted a formalization programme dubbed "Formalization of Livestock Trade" aimed at improving the business environment for livestock trade. The formalization entails registration of sellers and buyers and establishment of an MIS system to improve livestock market operations, encourage the flow of finance and information and improve collection of Government revenue.

Empowerment Through Agribusiness

To foster economic empowerment through agribusiness, especially for smallholder farmers and the youth, the Bank recommend consolidation of empowerment fund, through the adoption of a framework around an Enterprise Development Fund (EDF), as a specialized agency which would act as an anchor institution operating at arm's length with SMEs, strategic investments and other beneficiaries who will receive funding support from specialized funds proposed under the framework.

Responding to Market Challenges

Market volatility remains a concern for most farmers across the country, especially given the global challenges along the supply chains and value addition. In the wake of the pandemic, the Bank proposed the establishment of a Price Deficiency Payment Scheme (PDPS) to compensate farmers against losses which would otherwise be incurred should the wholesale market prices of agricultural commodities fall below the declared MSP.
National Policy Contribution

In line with the bank's mandate to as an advisory organ for the government, TADB provided inputs towards the National Financial Sector Master Plan, which was developed during the years as a comprehensive strategy document guiding the development of the financial sector in Tanzania.

Concept Notes/Proposals Prepared in 2020

Concept Note	Purpose
Enhancing vertical integration of the coffee supply chain in Kagera	To seek technical assistance (TA) to facilitate industrial upgrading and modernization of TANICA to enable the company to effectively integrate within the coffee supply chain in Tanzania.
Partnership for Promoting Investment in the Red Meat Value Chain	To promote investment in the red meat value chain with the objective; To facilitate investments in expanding feedlot capacity of small-scale livestock keepers and commercially viable agribusinesses (animal fatteners), off-taking, processing and export of red meat and red meat products in line with the national goals of improving productivity and production in the key livestock value chains in the country.
Integrated Value Chain financing (IVCF) Model	An innovative approach of financing investments and build social capital in agricultural value chains. The model pays particular focus on supporting smallholder production with additional support and financing extended to downstream actors in agricultural chains.

** A concept note and proposal were developed for application of grants worth USD 300,000 from Alliance for a Green Revolution in Africa (AGRA) to support operationalization of the Integrated Value Chain Model (IVCF Model) highlighted above.*

Looking Ahead

Going into 2021, the bank will continue to invest in research to drive innovative agriculture while continuing to play its role improving the policy environment to strengthen the sector. Key areas of focus in the new year will be assess the impact of the pandemic on the sector and develop strategies around building long-term resilience.

Treasury & Funding Report

Mobilising Capital to Drive Agri-Transformation

Beatrice Mrema
Dealership and Liquidity Manager

TADB continues to play its role in championing investments in the agriculture sector. The bank fully recognizes that to unlock long-term and strategic investment in the agri-sector, more strategic and well-structured blended resources are required.

During the 2020 financial year, the bank restructured its funding directorate to focus on global engagements, strategic partnerships and resource mobilisation in line with its funding strategy. The restructuring followed intense deliberations and stakeholder engagements, with a view to creating wider stakeholder buy-in to drive support.

Over the period, the bank scaled efforts to build strategic alliances and mobilize funds and other resources for further investments, despite the headwinds created by the pandemic. Despite the health challenges, which had curtailed movement and in-person meetings, the bank successfully conducted 86 engagements with 35 stakeholders within the sector. These engagements birthed partnerships that have impacted our clients.

Stakeholders engaged during the year ranged from public sector officials, foreign dignitaries, consultants, local and international financial institutions, development partners, and non-profit entities.

Key Milestones

The engagements conducted during the year resulted in various wins for TADB in securing funding for onward investment.

- Received the funds from IFAD worth USD 4 million for the implementation of the Smallholder Credit Guarantee Scheme (SCGS)
- Signed agreement with ACELI Africa to support SMEs in Agriculture. The programme provides financial incentives such as SME portfolio first loss cover, origination incentives, and impact bonuses coupled with technical assistance support to partner financial institutions and borrowers.
- Received approval of a USD 10 million guarantee line from the African Guarantee Fund (AGF) to support SMEs in Agriculture.
- Signed an agreement with BMGF to support the dairy sector in Tanzania through an inclusive Private sector-led dairy production and processing programme. The programme targets more than 100,000 small-scale dairy producers and will create market linkages between producers and processors. BMGF has provided an initial commitment worth USD 7 million in grants to support the programme.
- Secured £80 million funding from AFD towards the support for TADB.

Alongside the initiated partnerships, the Bank made various strides in strengthening collaboration, including joining the Convergence Blended Finance Platform. Through the platform, TADB successfully connected with a number of partners and is currently in discussions to collaborate in various projects. This platform provides the opportunity for TADB to expand its network of partners and mobilize resources.

To scale up lending to the agri-sector, TADB continued to work closely with partner commercial local banks and regional development banks to develop and package projects which are then co-financed by participating financial institutions.

By December 2020, the bank had approved and co-financed projects with partner banks worth TZS 150.65 billion, with projects amounting to TZS 120.3 billion in the pipeline.

Moreover, the bank engaged Tanzania Social Security Association (TSSA), an umbrella body for all Government pension and insurance funds, including NSSF, PSSSF, WCF and NHIF to explore investment opportunities for the funds in the agriculture sector. Engagements are ongoing, and two projects on textile and apparel sub-sector are expected to be funded in 2021.

Partnerships Highlights

	Partner	Nature/Purpose	Target Amount
1	Africa Legal Support Facility (ALSF)	Capacity building for TADB legal team	USD 100,000
2.	Financial Sector Deepening Trust (FSDT)	Financial Inclusion Initiative Programme (The Mfumo Jumuishi and Fit4Ag)	USD 600,000
3.	Japan International Cooperation Agency (JICA)	KAIZEN and other management training	N/D
4.	IFAD (Agricultural & Fisheries Development Programme (AFDP)	Support for two priority areas of the ASDP II, (addressing challenges in the seeds, fisheries and aquaculture value chains)	USD 5 million
5	Alliance for a Green Revolution in Africa (AGRA)	Pilot new Integrated Value Chain Financing (IVCF) model adopted by the bank	USD 400,000 in
6	United Nations Development Programme (UNDP)	Establishment of people-centered Investment facility	N/D

KEY: N/D - Not Determined

Looking Ahead

Going into 2021, the Bank will continue engaging both local and international partners to expand funding opportunities. We will continue to optimise received funds by integrating technology in agriculture to drive productivity. The bank will also explore other investment sources, including fully exploring the blended finance approach.

Human Capital & Administration Report

Strengthening Human Capital for Sustained Transformation

Mbonny A. Maumba
Head of Human Capital and Administration

At the heart of TADB's transformation agenda are its people. As the Country's premier Development Finance Institution (DFI), TADB invests heavily in its employees since they play a pivotal role in ensuring its success. The Bank endeavours to make a positive impact on society, through our people because they represent the communities we serve.

In retrospect, the 2020 FY proved challenging for many organizations with the advent of the COVID-19 pandemic. Our priority was to protect our employees and customers in line with the health protocols. I am glad our company remained resilient and was swift in activating our business continuity protocols to ensure continuity. Specifically, we rolled out a number of initiatives aimed at protecting our employees while at the same time improving both their individual and collective experiences.

Employee Wellness Programmes During the Pandemic

In response to the COVID-19 problems, the Bank created efforts to enhance employee health and productivity. One such project was the introduction of the Flexible Working Arrangement, which encourages work-life balance for all employees.

The Bank maintained both business continuity and the safety of every employee. The measures included allowing employees flexibility regarding location and working hours, providing protective gear on a daily basis, providing medical care to personnel who were placed in quarantine, and implementing temperature testing at access points for both staff and customers.

Building Sustainable Knowledge Resources Through Training

TADB recognizes that the attainment of its objectives will very much depend on the calibre of employees. Thus, besides academic and professional qualifications, skills, and experience, the Bank regularly trains its staff and cultivates a culture of professionalism, integrity, innovativeness, and teamwork.

During the year, the bank continued to build employee expertise, including the sum of knowledge contained within the organization. The bank invested resources in developing management expertise and training TADB employees in business-specific areas to add to the "mental capacity," of the bank. The Investment included contracting experts in different value chains to enhance intellectual capital intending to provide a return to the bank.

In line with the medium-term strategy, the bank also invested in creating awareness of the value chain model, product knowledge and understanding of financial statements as well as legal and governance-related topics. Compliance-related Programmes such as Anti Money Laundering and Whistleblowing were key areas that staff were capacitated at. The bank also leveraged technology for learning and established the TADBees Lounge platform (an online platform incorporating formal and informal staff engagements in all aspects of the organization).

During the year under review, a total of eighteen (18) new personnel were onboarded in business areas, including experts in areas such as Nutrition, Post-harvest Management and Gender Inclusion. The Bank aims to contribute directly to the food security, nutrition and sustainable agriculture policy and governance-related results envisioned under TADB strategic objectives. The resource is also responsible for linking smallholder farmers to the market demand of both large anchor buyers and local alternative markets and aggregating farmers to train them in postharvest management, promote their adoption of technologies, and aggregate their crops to meet buyer quantity and quality requirements. The responsibility of creating a more Gender Inclusive environment for a better go-to-market strategy is also among what this resource does.

Similarly, the Bank continued to implement the corporate training plan, investing over TZS 155 million in various staff training Programmes geared at imparting and sharpening their skills and knowledge in line with identified staff development gap. The Bank continues to develop training Programmes to ensure employees have been trained adequately at all levels, all employees have some form of annual training to upgrade skills and enhance development.

Strengthening Leadership

In the universe of TADB, leadership takes centre stage because we believe that the ability of employees to reach their full potential depends on Management's ability to lead and manage them properly. We believe that the accomplishments of good employees are limited, without a good leader. This is why we place a high premium on staffing leadership training.

Measuring Performance

TADB understands that to effectively and efficiently deliver on its mandate, its employees must be productive and meaningfully engaged. Towards this end, the Bank has adopted performance measurement frameworks to guide delivery.

During the year, the Bank adopted the balanced scorecard metrics as a performance metric to measure four perspectives (financial, customer, internal processes, and organization capacity) of employees as part of banks' efforts to quantify intellectual capital invested.

Looking Ahead

Going into 2021, the bank will focus on building organizational capacity and improved staff engagement to further strengthen leadership development and overall staff welfare.

Risk Report

Inculcating a Risk Culture in our Operations

Kassim Bwijo
Ag. Head of Risk and Compliance

Banks are today more than ever, operating in a continuously fee-compressed environment, with increasing regulation and competition. Disruptions such as the COVID-19 pandemic, have also added to the pressure on many banks as risk managers work to add more value to the investment process.

TADB fully understands that as a Development Finance Institution (DFI), it needs to keep pace with the latest regulatory shifts, product innovations, the integration of ESG (Environmental, Social & Governance) and climate data into the risk framework. As a leading establishment in the region, we reckon that the unprecedented momentum of cloud computing and the evolution of data science continue to empower enterprises to push their legacy boundaries and grow their risk management capabilities. TADB has invested in empowering its workforce to embrace change and embed next-generation technologies into its day-to-day processes.

During the year under review, the Bank continued to manage its core business risks (credit risk) reasonably well. We adapted our practices to the operating conditions and made the best of our local knowledge and presence.

In managing credit risk during the crisis, the bank developed robust frameworks for ensuring adequate post-approval follow-up and escalating rehabilitation efforts as soon as projects begin to experience difficulties. The measures helped the Bank in controlling the level of non-performing loans. We also integrated a risk management framework, which systematically rates the risks in the bank's portfolios in line with the capital adequacy policy.

In terms of market risk, the Bank has put in place explicit standards for the amount of risk that it is prepared to assume.

Going into 2021, the bank will continue to address gaps in its risk management practices, to ensure that risks are addressed easily and tackled in an appropriate manner.

Strategic Risk Management
Principal Risks & Uncertainties

The banking industry depends on taking risks, and operating hazards are an inevitable by-product of doing business. Therefore, TADB's goal is to strike a suitable balance between risk and return and reduce any potential negative consequences on the Bank's financial performance. The main responsibilities of the Bank's risk management are to identify and measure all significant risks, manage risk positions, and to allocate capital. To take into account changes in markets, products, and industry best practices, the Bank routinely analyzes its risk management policies and systems.

Under guidelines endorsed by the Board of Directors, risk management is coordinated and carried out by the Risk Department and Risk Management Committees. In addition to written rules covering subject matters like Foreign Exchange Risk, Interest Rate Risk, Credit Risk, and Liquidity Risk, the Board also provides written guidelines for general risk management. The Internal Audit unit is also in charge of conducting an impartial evaluation of risk management and the control environment.

Proactive Approach to Risk Management

TADB considers the value that its risk management framework creates to ensure it contributes to the long-term objectives. The bank regularly reviews processes and systems and has in place robust risk management and governing structures, which form part of its planning processes, at both operational and strategic levels.

Identifying and classifying Risks

TADB's risk-management strategy is designed to support the achievement of business objectives while identifying and quantifying risks, establishing risk ownership, and creating optimal business value. The Strategy takes into consideration the costs in terms of risk, by every responsible individual at all levels of the bank.

The bank's medium-term strategy has classified risks into distinct areas based on the ownership and operation setup of the enterprise:

Market risk

This 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 the 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.

Operational Risk

Operational risk is the possibility of a direct or indirect loss resulting from a variety of factors related to the Bank's procedures, staff, technology, and infrastructure, as well as from outside variables other than credit, market, and liquidity risks, such as those brought on by statutory and regulatory requirements and generally accepted standards of business conduct. All of the Bank's operations include some level of operational risk.

The Bank's goal is to manage operational risks while balancing cost effectiveness, innovation, and the avoidance of both financial losses and reputational damage.

In every situation, Bank policy mandates adherence to all relevant legal and regulatory requirements.

Managing Operational Risk

The Board of Directors has delegated the responsibility for operational risk to its Bank Operational Risk team, under Risk division.

Responsibility

The responsibility is supported by the overall Bank standards for the management of operational risk in the following areas:

- Requirement for appropriate segregation of duties, including the independent authorization of transactions
- Requirement for reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirement for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified
- Requirement for reporting of operational losses and proposed remedial action
- Development of contingent plans, training and professional development
- Ethical and business standards and risk mitigation, including insurance where this is cost effective.

Compliance

Compliance with the Bank standards is supported by the programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the operational risk team and submitted to the Board Audit Committee of the Bank.

Foreign Exchange Risk

The Bank accepts exposure to the consequences of changes in the market rate of exchange on its cash flows and financial condition. For both overnight and intra-day positions, which are tracked daily, ALCO puts restrictions on the level of exposure per currency and overall.

Through an agreement for on-lending, monies are sent to TADB in local currency equivalent in order to manage the foreign exchange risk associated with long-term borrowings, while the Government Treasury department absorbs and manages the risk.

On the government's side, the exchange risk is managed through a variety of global market products, such as forex currency swaps.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

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

Credit Risk

This is the risk that a counterparty will fail to fulfill an agreement, resulting in a financial loss to the Bank. Obligor risk, climate change risk, concentration risk, and difficulties unique to the agriculture industry are all included. The most significant risk to the Bank's operations is credit risk. As a result, management carefully controls its exposure to credit risk.

Credit risks primarily result from lending activities that resulted in loans and advances as well as investing activities that add debt securities and other bills to the Bank's asset portfolio.

Off-balance sheet financial instruments like loan agreements can carry credit risk. The Bank's Credit Risk Management team is in charge of overseeing and controlling credit risk, and they submit their findings to the Board of Directors.

Managing Credit Risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Board Business Committee (BBC).

Responsibility

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, and by issuer, credit rating band, market liquidity and country (for investment securities).
- Reviewing compliance of business units with agreed exposure limits, including those for selected sub-sectors/value chains and product types.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.
- Business Directorates (Business and treasury) are required to implement Bank credit policies and procedures, with credit approval authorities delegated from the Board Business Committee (BBC).

Compliance

The bank credit risk management processes including credit limit and concentration guideline is embedded within the bank's enterprise-wide risk management process. Within the bank's overall risk appetite disciplines, the credit metrics and concentrations framework include key credit ratios and counterparty and it is currently being updated to include the sub-sectors (value chains) limits.

Liquidity risk

The risk that an entity, despite being solvent, will not be able to create or keep adequate cash resources to cover its financial commitments in full when they become due, or will only be able to do so under significantly less favourable circumstances, is known as liquidity risk.

The regulatory structure and nature of TADB's banking operations result in ongoing exposure to liquidity risk. When counterparties who provide the bank with short- and long-term funding withdraw or do not provide funding as promised in the borrowing or investment contract (for the Government), liquidity risk may develop.

It may also happen when normally liquid assets become less liquid as a result of a widespread disruption in the asset markets.

In accordance with relevant laws and the bank's risk appetite framework, TADB controls liquidity. The assessment and control of liquidity across the business under both normal and stressful circumstances is supported by the bank's governance framework for managing liquidity risk. By managing its liquidity risk, a bank can always rely on having the right level, diversity, and duration of funding and liquidity to maintain its asset base.

Three interconnected pillars that are in line with Basel III liquidity standards serve as the bank's framework for managing liquidity risk.

This section covers TADB's accountabilities and governance. In this section, you will learn more about how the bank is led and its contribution to the Sustainable Development Goals (SDGs).

Section FIVE Ethics & Governance

Corporate Governance
Our Leadership Philosophy

TADB is committed to upholding sound management practices as critical factors that determine its success. These involve issues such as the role and independence of the Board, the accountability and capacity of the Management team, the availability and retention of skilled staff, sound operational and financial systems, and risk management frameworks.

Governance Framework

The Bank is directed and managed to enhance corporate accountability. The Bank endeavours to uphold sound management throughout its operations and in engaging with its stakeholders. The Bank's stakeholders range from the Board of Directors, Management team, shareholders, partners, customers, employees and society.

The management of the company assumes the role of a trustee for all the others. The Bank's governance structures determine the identification and distribution of roles and responsibilities, among different participants in the bank and include the rules and procedures for making decisions in the context of the social, regulatory and market environment.

Broadly, the Bank's governance mechanisms include monitoring the actions, policies and decisions of corporations and their agents. In the Bank's scheme of things, corporate governance is anchored in the principles of good corporate governance, through which the bank conducts its business with integrity and transparency in all transactions. The Bank endeavours to make all the necessary disclosures and decisions, complying with all the laws of the land, accountability and responsibility towards the stakeholders and committed to ethically conducting business.

The Board and Management of the bank ensure a high level of confidence amongst stakeholders by conducting the business and affairs of the company in a manner that is satisfactory to stakeholders. The presence of an active group of independent directors on the Board ensures confidence in the market to attract funding and support.

Roles and Responsibilities

The Tanzania Agriculture Development Bank's governance structures covers all levels of the strategic processes, including the oversight of the execution of this Strategic Plan. As an independent institution, the bank is led at two levels with distinct powers within independent units established to ensure adequate and effective oversight roles of the governance structures, including Planning, Risk Management and Compliance and Audit functions are successfully implemented.

Board of Directors

TADB is led by a Board of Directors as its apex body of authority in the governance of the bank. The roles and responsibilities of the Board of Directors are defined in a Board Charter, created by members of Board. In addition to roles and responsibilities, the Board Charter defines the composition, functions and limits of the authority of the Board, as well as evaluation parameters for its performance.

In executing its mandate, the Board enters into a performance contract with the Government on agreed objectives and timeframes within which the institution must achieve results. Accordingly, the Board is accountable to the Government for performance against the agreed objectives, with its primary functions being the provision of strategic guidance and oversight of the bank.

In addition to the above, the Board oversees the ethical functioning of the organization and puts in place a written Code of Ethics (COE) and adequate measures to prevent corruption.

Board Committees

To facilitate effective and efficient functioning and oversight of the bank, the Board has standing committees reporting directly to it. Each Committee is guided by a written charter, which complies with all applicable laws, rules and regulations. The committee charters set forth the mission and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment, committee structure and operations. In addition, the respective committees have specific Terms of Reference (TORs) to guide their business affairs.

Specific Functions of the Board of Directors

The functions of the Board are detailed in the Board Charter, but the key ones are summarized as follows:

1. Appointing the Chief Executive Officer (CEO) and the Senior Management team.
2. Evaluating their performance and making succession plans.
3. Approving and monitoring the business strategy of the organization.
4. Approving bank policies.
5. Overseeing internal financial and operational controls, as well as risk management.
6. Establishing performance indicators and benchmarks for the organization.
7. Ensuring that the organization's performance is fairly reflected and communicated.
8. Ensuring adequate resources are dedicated to M&E to allow it to function effectively.
9. Reviewing performance reports and evaluations of the overall operations of the bank.

1. Audit Committee – This is responsible for reviewing the financial conditions of the bank, its internal controls, performance and findings of the internal auditors and to recommend appropriate remedial action regularly; as well as assisting the Board of Directors in fulfilling its oversight responsibilities of managing the risks that the bank faces in all its operations.
2. Business Committee – The committed reviews and oversees the overall lending and investment policies and processes of the bank, to devise the most appropriate strategies in terms of the mix of assets and liabilities given the bank's expectations of the future and the potential consequences of interest-rate movements, liquidity constraints, and foreign exchange exposure, as well as capital adequacy.
3. Human Resources & Administration Committee – Reviews and oversees the human resource and management compensation policies and practices, including (a) compensation of the Chief Executive Officer and senior management team members; (b) reviewing the organization structure; (c) succession planning; and (d) management of the bank's fixed assets.

Management

The management team is charged with the responsibility of managing the day-to-day operations of the institution. The Board of Directors delegates its authority to the Managing Director, who is supported by the Senior Management staff. The Management team has various management committees:

1. Executive Management Committee (EXCO) – Responsible for reviewing all operations and performance of the bank executing operational and strategic plans and preparing annual plans.
2. Credit Management Committee (CMC) – Responsible for undertaking appraisals, approval (within set limits) and monitoring of loans and advances.
3. Tender Board – Responsible for sourcing goods and services through the competitive bidding process and as per the regulatory procurement guidelines.
4. Assets and Liabilities Committee (ALCO) – Responsible for overseeing and coordinating the management of the bank's assets and liabilities, particularly the treasury function.

Functional Responsibility and Accountability

To ensure optimal delivery of its mandate, the Bank operates through seven functional units, which are responsible for driving the achievement of the corporate goals and institutional objectives.

i. Corporate Planning & Policy

Undertakes systematic evaluations of the bank's strategies, policies, programmes, activities, delivery support functions and systems. It also disseminates the findings of these evaluations and offers recommendations for improvement that can be used in the design, appraisal and execution of new operations. The function is the think-tank of the bank, with a duty to provide the strategic focus that will make the bank grow and meet its objectives.

11. Credit & Business Management

The Credit and Business Development function are responsible for managing credit and related facilities to the customers. The function is responsible for business development, credit appraisal, monitoring, evaluation and credit administration. This includes setting credit policies and administering the bank's loan portfolio to achieve maximum impact and sustainability.

iii Treasury and Funding

The Treasury and Funding function is responsible for the mobilization and administration of the bank's financial resources, both the assets and liabilities and for the management of the bank's liquidity. The function coordinates the off-balance sheet agency funds.

iv Finance & Administration

This function is responsible for the bank's accounting and financial records, general administration and information & communication and technology.

It contributes to the effective governance of the bank via timely preparation of financial reports, and coordinates budget preparation, monitoring and control. The function shall be responsible for the integrity and accuracy of financial data and reporting.

The bank's Human Resource affairs are also managed under this office, which is responsible for the administration and development of the bank's human capital.

v Risk Management & Compliance

The Risk Management function is responsible for organization-wide risk management focusing on credit, operational, market and reputational risks. It will also coordinate the compliance role.

vi Internal Audit Function

The Internal Audit Function provides independent assurance to the Board of Directors and senior Management on the quality and effectiveness of the bank's internal controls, risk management and governance systems and processes. This is intended to help the Board and senior management protect the bank and its reputation. The internal audit function is accountable to the Board on all matters related to the performance of its mandate.

vii Legal Services

The Legal Services function is responsible for advising the Managing Director and the Board of Directors on all legal matters relating to the bank. It provides secretarial services for the Board of Directors (including its committees) and Senior Management.

The Office is also responsible for directing the bank's representation in litigation, arbitration, or other administrative or legal proceedings, or in matters in which the bank may become a party or have an interest.

Board Profile
The Quality of our Leadership

BOARD TENURE

TADB is led by a Board of Directors, comprising nine (9) non-executive members and a 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 the tenure of Three (3) years renewable.

INDEPENDENCE OF THE BOARD

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

BOARD SKILLS

BOARD QUALIFICATIONS

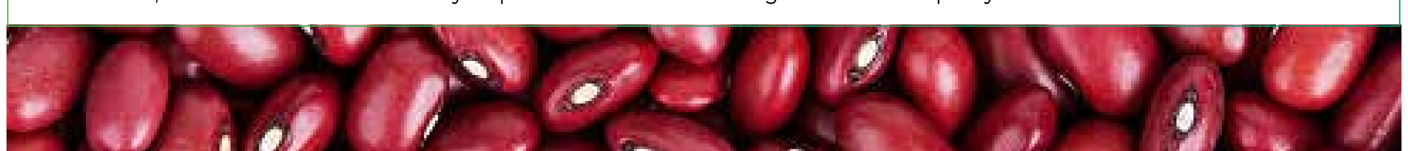
The directors are persons with knowledge and experience and they are appointed on the basis of merit from amongst persons who are experienced in development financing, agriculture, banking, economics and other relevant experience (and at least two shall possess significant experience in banking and microfinance) or any other equivalent qualifications.

BOARD COMMITTEES

COMMITTEE	FUNCTIONS
Audit, Risk & Compliance Committee	• Reviews accounting policies, 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 • Oversees the relationship with external auditors and provides assurance to the Board that available control procedures are implemented by the Management, and are complete and effective.
Business Committee	• Facilitates timely product/service delivery and ensures the prudent management of the bank's business with customers in accordance with the bank's policies and procedures.
Human Resources & Administration Committee	• Assists 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.

BOARD COMPOSITION AND ROLES

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. 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.



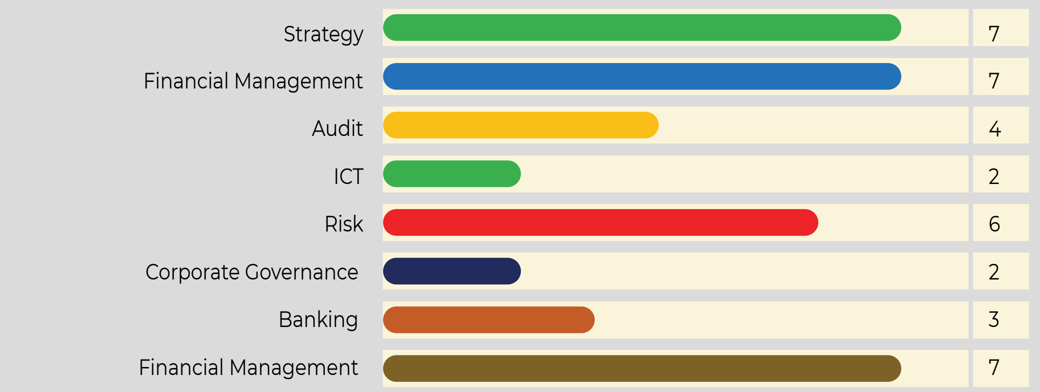
Management Team
Team Profiles

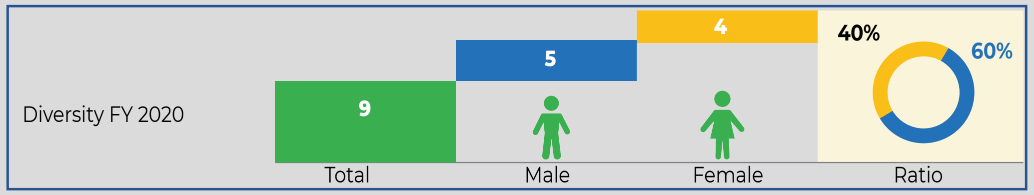
1 **Name:**	**Japhet Justine**
Designation:	**Managing Director**
Qualifications:	Master of Philosophy in Development Finance - Stellenbosch Business School (SA).
Expertise:	Strategic Management, Corporate Governance, Ethics, Micro-finance, Project Finance, Banking, Small Scale Enterprise Development, Econometrics and African Emerging Markets

2 **Name:**	**Derick Lugemala**
Designation:	**Director of Finance, Treasury & Resources Mobilisation**
Qualifications:	MSc - Professional Accounting and Finance - University of London. Certified Public Accountant (CPA) - National Board of Accountants and Auditors (NBAA).
Expertise:	Finance Management, Treasury, Agency Funding, and Credit Administration.

3 **Name:**	**Colleta Ndunguru**
Designation:	**Director of Policy and Research**
Qualifications:	Masters in Development Policy and Practice - University of Cape Town, South Africa.
Expertise:	Strategy, Credit Appraisal & Management, Debt Management and Resource Mobilization.

Key Expertise





4 **Name:**	**Afia Sigge**
Designation:	**Ag. Director of Credit & Business**
Qualifications:	Bachelor of Science - International Business Administration, USIU (Kenya)
Expertise:	Strategy, Credit Appraisal & Management, Debt Management.

5 **Name:**	**Mbonny Maumba**
Designation:	**Head of Human Capital and Administration**
Qualifications:	MSc. Human Resources Management - Mzumbe University
Expertise:	Strategy, Business Transformation Business Transformation Project Coordination

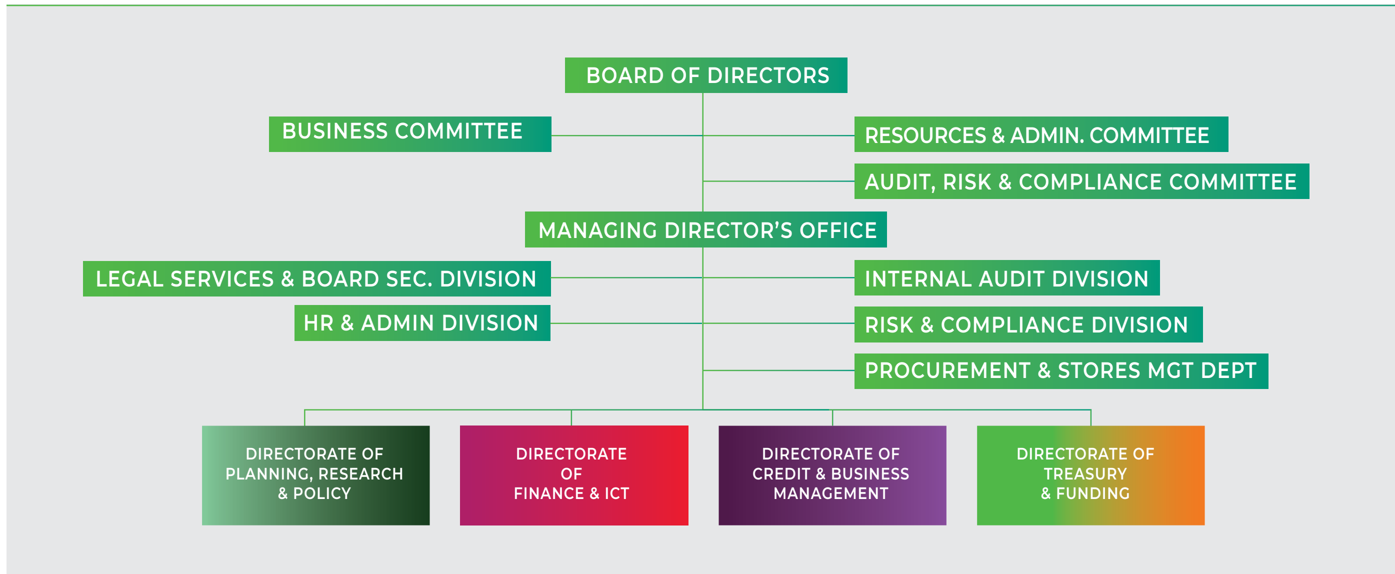
6 **Name:**	**Joyce Maduhu**
Designation:	**Head of Internal Audit**
Qualifications:	MBA – Corporate Management - Mzumbe University. Certified Public Accountant (CPA) - NBAA.
Expertise:	Financial Risk, Accounting & Audit, Strategic Management.

7 **Name:**	**Edson Rwechungura**
Designation:	**Head of Legal Services**
Qualifications:	PhD in Law - University of Dar es Salaam, (TZ).
Expertise:	Strategic Management, International Law, Policy Analysis, and Strategic Planning

8 **Name:**	**Kassim Bwijo**
Designation:	**Ag. Head of Risk and Compliance**
Qualifications:	Master of Business Administration – University of Nairobi (Kenya)
Expertise:	Compliance Risk, Risk Management, Internal Audit, Strategic Management

9 **Name:**	**Mwenze Kabinda**
Designation:	**Ag. Head of ICT**
Qualifications:	Post Graduate Diploma, Scientific Computing, University of Dar es Salaam (Tz)
Expertise:	Information Systems, Networking and Programming.

Leadership Structure



Our Ethics and Code of Conduct

The Moral Compass

Our Code of Ethics (COE) and conduct create our business procedures, which are motivated by performance with responsibility, and it outlines our dedication to long-term success. The COE is designed to support us in honouring our obligations, treating one another with respect at work, and acting honourably in public.

In theory, the code unifies the TADB Bank under a set of standards that guide our daily decisions. The stellar reputation that TADB maintains is a result of every action we take as well as how we conduct ourselves as a Bank.

Setting Clear Expectations

As the country's premier Development Finance Institution (DFI), we make an effort to be explicit about what is expected of our employees in terms of fulfilling their duties following our principles and our Code of Ethics and Conduct, as well as our rules and the law. We advise all of our workers to exercise sound judgment, think carefully before acting, and ask for help when needed.

Fostering integrity

Everyone at TADB is accountable for ensuring that all information registries deliver correct and verified information. For effective corporate administration, legal compliance, and the company's credibility and reputation, information management is of the biggest significance.

Respect and collaboration in the workplace

To successfully integrate business management, legal compliance, and adherence to ethical standards, the TADB is dedicated to running and performing its business processes under the principle of responsibility.

We are devoted to a secure and healthy working environment. At TADB, we urge our staff to make sure that the tasks they perform are done safely since we see safety as everyone's duty.

Principles on Leadership

Our leaders must lead by example in their behaviour and uphold the Bank's values and beliefs. The responsibility for ensuring that all staff members understand and adhere to this Code and all other corporate regulations throughout everyday activities rests with all leaders.

Competing interests

When your actions and/or personal relationships get in the way of your ability to act in the best interests of TADB, whether in a real or perceived sense, a conflict of interest arises. Even though our policy does not cover every scenario in which a conflict of interest could arise, we encourage all of our workers to exercise good judgment and common sense.

Corruption

TADB Bank does not tolerate corruption. Bribes are prohibited, whether directly or indirectly. A bribe consists of giving or offering something of value to a government official (or another party) to obtain a special benefit for the company.

Whistleblowing

At TADB Bank, we have effective methods for reporting potential or suspected illegal conduct and transgressions of the 's Code of Conduct. Fraud and corruption, harassment and discrimination, as well as transgressions of environmental and human rights laws, are a few examples of violations.

We are aware that there is a chance that our Code of Conduct will be broken, thus maintaining the highest ethical standards depends on the willingness of both internal and external parties to voice concerns. Employees have a duty and a right to voice concerns. Concerns from other parties, such as staff members of affiliated companies, are also encouraged.

Equality

We strive to achieve equal outcomes for all of our clients and team members by promoting equitable access to opportunities and services.

Accountability

Individually and collectively, we are responsible for our acts, behaviours, and outcomes.

Focus on Service Delivery

Both the recipients of our services and the donors who make them possible hold us accountable. We conduct our work in accordance with the moral and ethical standards that uphold our humanitarian calling. At TADB, it is everyone's responsibility to uphold this code to carry out the 's objective. The code applies to everyone who works for the Bank, including all directors, officers, staff members, interns, volunteers, incentive workers, and partners.

The section contains the Bank's financial statements in accordance with the TADB accounting frameworks.

Section SIX

Financial Statements

Contents
Financials

Definitions of Terms
& Abbreviations

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

(a) Statement of Financial Position.
(b) Statement of Profit or Loss and other comprehensive Income.
(c) Statement of Changes in Net Assets/Equity.
(d) Statement of Cash Flows.
(e) Notes, comprising a summary of significant accounting policies and other explanatory notes.

Abbreviations

BAC	Board Audit Committee
BBC	Board Business Committee
BHRAC	Board 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	Marketing Infrastructure & Value Addition & 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
SICR	Significant Increase in Credit Risk
TADB	Tanzania Agricultural Development Bank
TZS	Tanzania shillings
URT	United Republic of Tanzania

Bank's Information
Where to find us

Country of incorporation:	Tanzania
Establishment:	Companies Act no. 2 of 2002 Banking and Financial Institutions Act, 2006
Principal place of operation and registered office:	Head office 4th Floor, Acacia Estate Building, Plot 84 - 14109 Kinondoni, Kinondoni Rd., P. O. Box 63372, Dar es Salaam, Tanzania. Tel: +255 22 2923500 Toll Free Line: 0800 110 120 E-mail: info@tadb.co.tz
Bankers	Bank of Tanzania 2 Mirambo street P. O. Box 2939 Dar es Salaam, Tanzania
Auditors	Controller and Auditor General, National Audit Office, Audit House, 4Ukaguzi Road P. O. Box 950, Dodoma, Tanzania.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS AND COMPLIANCE AUDIT OF THE TANZANIA AGRICULTURAL DEVELOPMENT BANK LIMITED FOR THE YEAR ENDED 31 DECEMBER 2020

1.0 GENERAL INFORMATION

1.1 Mandate

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the URT of 1977 (revised 2005) and in Sect. 10 (1) of the Public Audit Act No.11 of 2008.

1.2 Vision, Mission and Core Values

Vision

To be a highly regarded Institution that excels in Public Sector Auditing.

Mission

To provide high quality audit services that improves public sector performance, accountability and transparency in the management of public resources.

Core Values

In providing quality services, NAO is guided by the following core Values:

- Objectivity: We are an impartial public institution, offering audit services to our clients in unbiased manner;
- Excellence: We are professionals providing high quality audit services based on standards and best practices;
- Integrity: We observe and maintain high standards of ethical behaviour, rule of law and a strong sense of purpose;
- People focus: We value, respect and recognize interest of our stakeholders;
- Innovation: We are a learning and creative public institution that promotes value added ideas within and outside the institution;
- Results Oriented: We are an organization that focuses on achievement based on performance targets; and
- Teamwork Spirit: We work together as a team, interact professionally, and share knowledge, ideas and experiences.

We do this by:

- Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- Helping to improve the quality of public services by supporting innovation on the use of public resources;
- Providing technical advice to our clients on operational gaps in their operating systems;
- Systematically involve our clients in the audit process and audit cycles; and
- Providing audit staff with appropriate training, adequate working tools and facilities that promote their independence.

1.3 Audit objectives

To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and are prepared in accordance with an applicable financial reporting framework; and whether laws and regulations have been complied with.

1.4 Mandate

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the URT of 1977 (revised 2005) and in Sect. 10 (1) of the Public Audit Act No.11 of 2008

1.5 Audit scope

The audit was carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and other audit procedures as were deemed appropriate under the circumstances. This covered the evaluation of the effectiveness of the financial accounting system and internal control over various activities of the Tanzania Agricultural Development Bank.

The audit was conducted on a sample basis; therefore, the findings are confined to the extent that records, documents and information requested for the purpose of the audit were made available to me. Audit findings and recommendations arising from the examination of the accounting records, appraisal of the activities as well as evaluation of the Internal Control System which requires management's attention and actions, are set out in the management letter issued separately to the Tanzania Agricultural Development Bank.

As an auditor, I am not required to specifically search for fraud and therefore, my audit cannot be relied upon to disclose all such matters. However, my audit was planned in such a way that I would have reasonable expectation of detecting material errors and misstatement in the financial statements resulting from irregularities including fraud. The responsibility for detection, prevention of irregularities and the maintenance of an effective and adequate system of internal control rests with the Board and management of the Tanzania Agricultural Development Bank.

1.6 Audit methodology

My audit approach included tests of the accounting records and other procedures in order to satisfy the audit objectives. My audit procedures included the following:

- Planning the audit to identify and assess risks of material misstatement, whether due to fraud or error, based on the understanding of the entity and its environment, including the entity's internal controls.
- Obtain sufficient appropriate audit evidence about whether material misstatements exist through designing and implementing appropriate responses to the assessed risks.
- Form an opinion on the financial statements based on conclusions drawn from the audit evidence obtained.
- Follow up on the implementation of the previous year's audit findings and recommendations and directives issued by PAC to ensure that proper action has been taken in respect of all matters raised.

Report of the Directors

2.0 Background

In compliance with the Public Corporations Act, 1992 and the Tanzania Financial Reporting Standard No. 1 on Directors' Report, the Directors of Tanzania Agricultural Development Bank Limited (TADB) are required to submit a report and financial statements for the year ended 31 December 2020. The Directors, therefore, hereby present this report and the audited financial statements for the financial year ended 31 December 2020 which discloses the affairs of the Bank and its financial position as at 31 December 2020.

2.1 Corporate Outlook

Establishment and Mandate

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

Vision

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

Mission

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

- To provide short, medium and long-term facilities to the agricultural sector
- To Catalyse credit delivery to the agricultural sector and thereby accelerate agricultural growth
- To lead as an apex agriculture financing bank, in capacity building strategies and programmes to strengthen the agriculture financing value chain
- To finance seasonal agriculture operations, fisheries, beekeeping and livestock activities; and
- To strengthen the financing value chain through training, research and consultancy.

2.4 Key Objectives

- To improve productivity in the agriculture sector by supporting infrastructure development like Irrigation schemes, transportation, storage, market infrastructure, processing etc.
- 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
- To mobilize low-cost sustainable financial resources for affordable agricultural financing and enhancing financial inclusion for subsistence and smallholder farmers
- To promote modernization and commercialization of small-scale farmers
- 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
- 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 Board membership

The tenue of the previous Board of Directors expired with effective date from 28 April 2019. However, towards the end of year 2019, the Parliament enacted the Written Laws (Miscellaneous Amendments) (No.6) Act, 2019, which became operational on 21st November 2019. Section 39 of the Act amended section 54 of the Interpretation of Laws Act, Cap 1, gave a mandate to the Permanent Secretaries of Ministries to step in and perform the duties of a Boards of Directors of a public institution falling under the Ministries' portfolios in event, among other things, expiry of tenure of the Boards of the institutions.

REPORT OF THE DIRECTORS (CONTINUED)

Following the enactment, the bank came under oversight of the Permanent Secretary Treasury (Permanent Secretary of Ministry of Finance and Planning) from January 2020 up to January 2021 when the PST's mandate, as provided by the law, expired. During the period under the oversight, the Permanent Secretary of Treasury appointed a technical committee included mostly the Executive Management of the Ministry that deliberated upon and advised the Permanent Secretary on various governance issues concerning TADB. The meetings of the appointed committee were conducted at the Ministry at the Treasury Square in Dodoma upon receipts of TADB request for Board consideration, guidance and approval. TADB management were severally invited to present to this committee and the Permanent Secretary when needed.

During the period, through this committee and Permanent Secretary of Treasury, various matters were discussed and deliberated, including among others the following:

- Set, review and approve the bank's policies, strategies and action plans
- Review and approve the bank's budget for the year 2020
- 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 2019 and other quarterly publications for the year 2020.

On 16th December 2020, the Minister for Finance made appointments of seven members of the Board of Directors of TADB out of whom, six were vetted and approved by the Bank of Tanzania. The details of the Board Members are as follows;

S/N	Name	Position	Qualification	Age	Nationality
1	Migangala Simon Milenge	Member	Masters' Degree in Business Administration, Certified Public Accountant	49	Tanzanian
2	Dr. Abdul Ally	Member	Doctor of Management in Financial Management	50	Tanzanian
3	Daniel Masolwa	Member	Master of Arts in Economics-UDOM (in Progress)	52	Tanzanian
4	Hussein Hassan Mbululo	Member	Masters' Degree in Finance	67	Tanzanian
5	Prof. Ntaengua Mdoe	Member	Professor of Agriculture-Production and Farm Management	69	Tanzanian
6	William Mhoja	Member	Master of Arts in Economic Policy Management	52	Tanzanian

2.6.1 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 are as follows:

S/N	Name	Position	Qualification	Age	Nationality
1	Migangala Simon Milenge	Chairperson	Masters' Degree in Business Administration, Certified Public Accountant	49	Tanzanian
4	Hussein Hassan Mbululo	Member	Masters' Degree in Finance	67	Tanzanian
5	Prof. Ntaengua Mdoe	Member	Professor of Agriculture-Production and Farm Management	69	Tanzanian

2.6.2 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 are as follows:

S/N	Name	Position	Qualification	Age	Nationality
1	William Mhoja	Chairperson	Master of Arts in Economic Policy Management	52	Tanzanian
2	Daniel Masolwa	Member	Master of Arts in Economics-UDOM (in Progress)	52	Tanzanian
3	Prof. Ntaengua Mdoe	Member	Professor of Agriculture-Production and Farm Management	69	Tanzanian

2.6.3 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 are as follows:

S/N	Name	Position	Qualification	Age	Nationality
1	Hussein Hassan Mbululo	Chairperson	Masters' Degree in Finance	67	Tanzanian
2	Dr. Abdul Ally	Member	Doctor of Management in Financial Management	50	Tanzanian
3	William Mhoja	Member	Master of Arts in Economic Policy Management	52	Tanzanian

REPORT OF THE DIRECTORS (CONTINUED)

2.6.4 Meetings of the Board and its Committees

The Board held Two (1) ordinary meetings and Three (1) extra ordinary meetings during the year 2021 to review some of the matters relating to the year 2020 and approve the financials for 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 during quarter one 2021.

Number of Meetings attended

S/N	Name Of Director	Board	EOB	BBC	BHRAC	BAC
1	Migangala Simon Milenge	1	1	1	1	1
2	Dr. Abdul Ally	1	1	1	1	1
3	Daniel Masolwa	1	1	1	1	1
4	Hussein Hassan Mbululo	1	1	1	1	1
5	Prof. Ntaengua Mdoe	1	1	1	1	1
6	William Mhoja	1	1	1	1	1

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.

2.7 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.

2.8 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, all directors command a high level of integrity, honesty, competence and ability to adhere to principles of good corporate governance. 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.

2.9 Directors Remunerations

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

2.10 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.

2.11 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 2020, 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
- Information & Communication Technology unit
- Risk and Compliance unit
- Internal Audit unit
- Legal Services and Board Secretarial Services
- Human Capital and Administration unit
- Public Relations and Marketing unit
- Procurement and Stores unit

The Management of the bank has interalia, the following committees responsible to develop goals, 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.

2.12 Key Performance Highlights in 2020

2.12.1 Economic Outlook

The Government of Tanzania is supportive to the overall growth and development of the agricultural sector in Tanzania with a clearly articulated long and medium-term policy framework for the economy in general and for the agriculture sector in particular. The Tanzania Development Vision 2025 (TDV 2025), sequenced in three Five-Year Development Plan (FYDP I, II, III), envision transforming the economy from a low productivity agricultural economy to a semi-industrialized middle-income country by 2025. The Agricultural Sector Development Programme (ASDP) is one of the key instruments used to meet TDV 2025 and implement the Agricultural Sector Development Strategy (ASDS).

During the year 2020, the Tanzania Economy performed relatively well, albeit experiencing adverse spill over effect of COVID-19 on the global economy and supply chain. In the first three quarter of the year, the economy grew at an average rate of 4.7 compared to 7.3 percent in the corresponding period in 2019 and 6.9 percent in 2018. The growth was largely bolstered by construction, agriculture, transport, and mining and quarrying. The central bank projects 5.5 percent and 6.0 percent GDP growth fully year 2020 and 2021 respectively. This is strong performance compared to other sub-Saharan countries of which some of them experienced negative growth. Tanzania GDP growth average at 7% the past five years.

Inflation remained low and stable, averaging 3.1 percent in the quarter ending December 2020 compared with 3.7 percent in the corresponding quarter in 2019, largely driven by decrease in food prices. Food and non-alcoholic beverages inflation was 3.1 percent in 2020 compared with 5.8 percent, due to adequate domestic food supply and favourable weather conditions; while non-food inflation was 3.2 percent from 2.4 percent on account of moderate increase in global petroleum prices.

Extended broad money supply (M^3) grew at annual rate of 5.7 during the year 2020 compared to 9.6% growth recorded in December 2019. Domestic credit to both public and private sector grew by 17.8% which is significantly higher than 7.1% growth recorded during the year 2019. Much of the lending to the Government was done through Government securities mostly Treasury bonds pushing the rates on the lower record territories. Credit extended to the private sector grew by 3.0%, compared to 11.1 percent in the corresponding period in 2019. The subdued growth of credit to the private sector was partly attributable to the global negative effects of COVID-19 especially on sectors with higher exposure to external shocks like tourism, agriculture (due to exports), trade etc.

Interest rates continued to easy consistent with accommodative monetary policy implemented by the Government and increase on liquidity in the banking system emanated from muted lending and investment activities ahead of COVID -19. Overall deposits rates reduced to 6.78% from 7.7%- and 1-year lending rate reduced from 16.28% to 15.72% as at December 2020. Interest rate on Government papers also decreased significantly, for instance, 2 years T-bond rate reduced from 11.08% end of 2019 to 7.08% end of 2020, 10-year bonds rated reduced from 14.52% to 11.56% same for 20-years bond which reduced from 16.76% to 15.01%. with the lower rates on the Government securities, most banks and pension funds are pushed to invest in other vehicles including agricultural projects.

2.12.2 Agriculture Sector Performance and Highlights

The agriculture sector remains the main contributor to economy, accounting for an average of 27% of GDP with a progressive growth averaging 5% per annum, employing nearly 67% of population and contributing about 35% of foreign currency earnings. From Jan to Sep 2020, the sector GDP grew by 4.8% slightly above the growth booked same period last which was at 4.3%. Despite COVID-19 disruption and impact to both local, regional and global economy, the sector continued to be resilient contributing heavily to the growth of the country by 24.6% second highest after construction which contributed 42.6% to the year really GDP growth.

Table; Selected economic performance indicators 2016-2020

Performance indicator	2016	2017	2018	2019	2020
GDP growth %	6.9%	6.8%	7.0%	6.3%	5.5%
Agriculture sector share to GDP %	26.0%	28.8%	28.2%	23.0%	26.4%
Agriculture sector growth %	3.2%	5.9%	5.3%	5.9%	4.8%

As at December 2020, banks' lending to the agri-sector declined by 5.4% year on year pushing share of credit of the agriculture sectors slightly down to 8.7% from 9.6% booked at the end of the year 2019. Other key sectors like manufacturing, trade and building and construction also booked a negative growth in lending during the year. Lending to the agri-sector decrease during the year was partly contributed by higher growth recorded prior year (2019) of about 91.5% COVID-19 pandemic which had a spill over effect to the economy.

Unlocking full agriculture sector potential for achieving economic development and poverty reduction (enhanced sustainable agriculture sector growth rate and increased contribution to GDP), requires transformation of the sector through modern agricultural sector investments. With TADB as a catalyst to expand and deliver medium to long-term finance (financing gap) to support and transform the agriculture sector, the outlook is for Tanzania to consolidate achievements and continue momentum in supporting agriculture sector growth and development by extending much-needed funding to the sector chains in particular the marginalized small scale farmers.

2.12.3 Financial Performance Highlights

2.12.3.1 Revenue

TADB revenue performance summarized in Table below indicated that, Net Interest Income (NII) increased from TZS9.6 billion in 2016 to TZS 26 billion during the year 2020 with Compounded Annual Growth Rate (CAGR) of 28% for the past five years.

Growth in NII is attributable to the increase in interest earning assets portfolio accounting for 95% of total assets (mainly loans and advances to customer and short term investments/placements with banks) which has been also growing year on year with TZS 88bn getting disbursed during the year 2020. The growth booked during the year 2020 of 71% (TZS 10.7bn) was driven by customer loans growth during the year and balance sheet growth ahead of TZS 104bn long-term loan inflow from AfDB towards end of 2019 and TZS 23bn from IFAD (SCGS fund) towards end of 2019 as well.

Interest expenses grew by 12% during the year 2020 due to full year effect of the AfDB 104 billion long-term loan which was received toward end of 2019. More so, the bank continued to pay interest on special deposits which the bank mobilized for the special loan transaction.

Non-interest income increased at a CAGR of 83% from TZS 0.2 billion in 2016 to TZS 2.2 billion in 2020. Growth in non-interest income is largely driven by fees and commissions income (accounting for 67% of income earning assets), which have been growing year on year. The slight drop during the year 2020 was attributed to higher fees earned on special transaction which was done by the bank during the year 2018 and 2019. Despite that drop, the bank increases non-assets based feed during the year 2020 by focusing on forex sale revenue which grew by more than 100% during the year.

	2016	2017	2018	2019	2020	YoY	CAGR 16-20
Net Interest Income	9.6	11.5	12.4	15.2	26.0	*71%*	*28%*
Non-Interest Income	0.2	1.1	2.4	3.0	2.2	*-25%*	*83%*
Total revenue	10.0	13.0	15.0	18.0	28.2	*57%*	*30%*
As % of total income						Average %	
Net Interest Income	98%	92%	84%	84%	92%		90%
Non-Interest Income	2%	8%	16%	16%	8%		10%
Total revenue	100%	100%	100%	100%	100%		100%

2.12.3.2 Expenses

Operating expenses (OPEX) have remained more or less stable, increased from TZS 7.3 billion in 2016 to TZS 12.3 billion in 2020 at CAGR of 14% hence positive Jaws of 16% with the total revenue CAGR of 30% as reported above. For the year 2020, Operating cost trended on same levels booking a 0.3% growth year on year only mainly due to muted activities ahead of COVID 19 and less staff cost driven by lower head count.

The drop in cost to income ratio from 77% in 2016 to 45% in 2020, reflect TADB management efforts to effectively manage costs and ensure adequate profit margins. With the rollout of Core banking system, which is final stages, the TADB will save about TZS 144 million annually paid to TIB CBL as loan management fees. Envisaged relocation to new offices building during the year 2021 will also save rental charges about TZS 1 billion per annum.

	2016	2017	2018	2019	2020	YoY	CAGR 2016-2020
Impairment of loan losses	0.05	0.03	0.5	1.77	2.9	66%	177%
Opex	7.3	9.7	11.9	12.3	12.3	0.3%	14%
Cost/Income ratio %	75%	77%	80%	68%	45%		

Impairments for loan losses have increased at a CAGR of 177% from TZS 0.05 billion in 2016 to TZS 2.9 billion in 2020 in tandem with the loan book growth. Despite the increase in loan loss provisions, the bank continued to maintain a quality loan portfolio with the NPL ratio well below the Bank of Tanzania threshold of 5% and below the industry average of 9.8% (BoT report June 2020)

2.12.3.3 Profitability

Despite COVID 19 pandemic which impacted the global and regional economies and other challenges, the bank's pre-tax and post-tax profits (PBT and PAT) have more than tripled from TZS 2.3 billion and TZS1.7 billion in 2016 to TZS 12.6 billion and TZS 9.0 billion in 2020 respectively (pre and post-tax profits grew by a CAGR of 53% and 52% respectively) due to revenue growth attributed to the increase in income earning assets portfolio (comprising of 95% of total assets), which has been growing year on year.

Further, management cost containment measures have also contributed to improved profit margins.

	2016	2017	2018	2019	2020	YoY	CAGR 2016-2020
ROAA	2.50%	2.30%	0.70%	0.50%	2.54%		
ROAE	2.70%	4.20%	5.20%	4.50%	12.24%		
Cost to Income ratio	75.0%	77.0%	80.1%	67.9%	45.0%		
Credit loss ratio	1.39%	0.26%	0.70%	1.68%	2.41%		
NPL ratio	0.00%	0.00%	2.18%	1.79%	4.60%		
PBT TZS Billion	2.3	2.9	2.5	4.1	12.6	206%	53%
PAT TZS Billion	1.68	2.79	1.93	3.06	9.0	193%	52%

Return on capital as measured by return on assets (ROAA) and return on equity (ROAE), show that whereas ROAA dropped from 2.5% in 2016 to 0.5% in 2019 and rose to 2.4% in 2020, ROAE except for 2019 where it dropped to 4.5% from 5.2% in 2018 show consistent upward trend increased from 2.7% in 2016 to 12.2% in 2020. A good performance during the year 2020 and increase on ROAA and ROAE was attributed by the earning assets ahead new funding towards end of prior year 2019.

Overall return on capital and profitability margins achieved for the period under review are relatively low partly due to low interest rate charged to customers as per TADB policy to promote agricultural sector development compared to prevailing market rates. In addition, zero interest rate special purpose deposit classified under interest earning assets (loans) has also diluted profitability ratios.

Despite increase on NPL ratio from 1.79% in 2019 to 4.6% during the year 2020, mostly contributed by COVID-19, the bank continued to maintain high quality portfolio with NPL significantly below the market and central threshold.

2.12.4 Business development milestones achieved during the financial year 2020

Key achievements recorded during the year are as follows; -

- Approved loans worth TZS 86.12 Billion was disbursed. The loans disbursed benefited 197,231 smallholder farmers directly in the Njombe, Mbeya, Songwe, Tanga, Dar es Salaam, Pwani areas, Kigoma, Iringa, Ruvuma, Njombe, Rukwa, Kagera, Mara. Also 28,826 individual have been impacted by intervention done by TADB.

- The six subsectors of agricultural produce that were financed comprised of 9 value chains namely: 1. Cereals (maize, paddy and sorghum), 2. Horticulture (vegetables, Grapes and fruits), 3. Industrial commodities (sugarcane, Coffee, Cotton & Sisal); 4. Livestock (dairy, beef, fish & Poultry); 5. Oil Seeds (Groundnuts, Sunflower, Palm Oil) and 6. Roots & Tubers (Potatoes, Irish potatoes, Cassava)

- 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/purchase and installation of of two silos in Kibaha and Bagamoyo.

- The Bank continued with efforts to develop large irrigation projects, viable out-grower's 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. Irrigation Scheme project which are under different stage of implementation according to project implementation schedules.
b. Out-growers for sugar project in Bagamoyo – under development stage
c. Sisal intervention project – Tanga, Pwani & Morogoro – under designing stage.
d. Block farming project – Sesame in Tunduru district, Macadamia Ulanga, Morogoro– Designing stage for 2021/2022 season.

- 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 143.65 Million. The facility was disbursed to finance the purchase of a tractor, and its accessories under paddy value chain.

- In its contribution to the government's industrialization agenda, during the period under report, the bank advanced loans amounting TZS 19.17 Billion to support four (4) agro-processing projects in the Dairy, Maize and Sugar value chain,

- During 2020, a total of TZS 528 Million was allocated to finance inputs for paddy and beef fattening, 89 Mechanization equipment, 4 Warehouse and 3 silos.

- Other key impacts from the project will benefit SMEs especially women who are processors of kernel oil and soap manufacturers in Kigoma region by supplying them with kernel nuts. TADB funded 1 dairy agro processing in Tarime Mara, funded an agro processing Oil mill factory in Shinyanga, funded two modern poultry projects in Mwanza which are currently being used as role models for Mwanza, revived a maize farm in Kagera which we've never had harvest before, funded 2 rice agro processing projects etc.

Other business achievements through various Programmes as summarized below; -

2.12.4.1 Key interventions on Irrigation during the year 2020

Tanzania's agriculture sector's contribution to GDP has more than tripled in the last decade, however, agricultural productivity in the country continues to suffer an estimated US$ 200 million in annual losses as a result of weather-related risk. The Government of Tanzania, through the Agricultural Sector Development Programme Phase II (ASDP II), has prioritized the transformation of the agricultural sector with focus on, among others, sustainable water and land use management as a key component of the programme.

Some of the targeted strategic interventions under this component include investment in irrigation to increase productivity; strengthening irrigator organizations for better operation and management of the infrastructures and resources; enhancing efficiency of water utilization; and encouraging private sector investment in irrigation development.

Tanzania has a potential irrigation area of 29.4 million hectares out of which 2.3 million hectares are high potential, 4.8 million hectares are medium potential and 22.3 million hectares are low potential. In the past five years the government has increased irrigation area from 461,000 ha to 694,715 ha in 2020, a notable milestone, however this accounts for only 2.3% of the total potential area. The country, through the National Irrigation Commission seeks to increase this number to a million hectares by 2025.

- During the year 2020, TADB has embarked on an 'Irrigation Redevelopment Programme' that aims at supporting the development of irrigation value chain in the country and promote Tanzania's agricultural objectives to transform the agricultural sector by fostering sustainable water and land use management through strategic interventions in investment in irrigation to increase productivity and enhance efficiency of water utilization.

- Guided by the National Irrigation Master Plan 2018, the Bank has identified irrigation schemes across the country that have been partially financed or abandoned to facilitate them with funds to redevelop, rehabilitate and expansion to meet their full potential. The investments follow designing and establishing irrigation technologies that are both appropriate and sustainable to foster efficient water usage, able to support various crop types/value chains and irrigation systems that are environmentally, socially and economically sound.

- The Bank further looks into investing in capacitating Irrigation organisations by equipping them with good management practices to promote sustainability of the schemes through efficient operations and maintenance.

- The programme also sets out to design and develop large scale irrigation schemes with the aim of transforming them into Agri-Parks incorporating an end-to-end value chain approach and involving both commercial and small holder schemes.

2.12.4.2 The Small-holder Famers Credit Guarantee Scheme (SCGS) highlights of 2020

Investing in the agriculture is critical to achieving country economic growth aspirations and the Sustainable Development Goals. Yet while almost two third of the population in Tanzania and the entire Africa works in agriculture, the sector receives less than 10% of commercial bank lending. Famers and the Small- and medium-enterprises (SMEs), which have the potential to facilitate pathways out of poverty for smallholder farmers and low-skill workers, are especially affected. Recent studies by Dalberg report in partnership with ACELI, reported that, three in four agricultural SMEs lack sufficient access to finance and the capacity to manage it, leaving an annual financing gap of $65 billion across Sub-Saharan Africa.

To address some of the challenges highlighted above, TADB is managing the credit guarantee scheme which provides individual and portfolio 50% credit guarantee and funding to commercials banks' lending to the agri-sector covering both the high perceived risks and liquidity challenges. Through the scheme, the bank is also capacitating banks to tailor their product offerings, create agri-lending strategy, enhance staff expertise in agriculture value chain financing, and adapt loan processes for the agri-SME market which is mostly left out when the normal checklist is applied.

During the 2020 financial year, the programme received additional disbursements amounting to USD 3.4 million bringing the total funds disbursed to USD 24.4 million out of the committed USD 25 million for the Programme. Through this funding, TADB with partner financial institutions will facilitate lending to the agri-sector of more than 114 bn Tanzania shillings. This programme was funded by the Government of Tanzania through the long-term funding from IFAD.

As of December 31st, 2020, TADB through its partner banks had managed to guarantee the disbursement of loans of up to approximately TZS 63.46 Billion (the guaranteed amount was TZS 31.73 Billion). These loans were mainly for farming inputs for primary production (65%) and financing off-takers (35%). Cumulatively, the Banks financed more than 8,392 smallholder farmers directly resulting in 748,470 indirect beneficiaries across the country.

Through this facility, 29 value chains/commodities were financed in 27 regions of Tanzania (mainland and Zanzibar), compared with 23 agriculture value chains previously reported; these value chains include paddy, maize, sunflower, sugarcane, coffee, cotton, horticulture, poultry, sisal, potatoes, livestock, fishing, sesame, pulses, forestry, palm oil, tea and other cereals.

As at the end of 2020, the programme had partnered up with 9 financial institutions; namely; NMB, TPB, CRDB, Stanbic, MUCOBA, Uchumi Commercial Bank, FINCA, TACOBA and Azania Bank. The programme's partner financial institutions have enabled the scheme to have a wide reach to smallholder farmers through the

respective institutions' branch networks. Apart from risk sharing instruments, TADB working with the partner Financial Institutions through this scheme and through the integrated value chain financing model, designed various impactful agri-projects which was later financed by the institution involved like the Cassava project in Tanga

TADB is also in active discussions with four (5) additional banks with regards to the signing of the SCGS contracts. These four (5) banks are NBC, Exim, KCB Bank Tanzania, Absa Bank Tanzania and Maendeleo Bank. We anticipate that before the end of the second quarter of 2021, agreements will be signed with these banks. Furthermore, engagements are on-going to sensitize other banks and financial institutions on the scheme. Some of the key achievements during the year 2020 are highlighted below;

- During the 2020 financial year, the milestone facilitated interest rate reductions for loans to small holder farmers at some of the participating financial institutions from 20% to 14%-16%.TPB Bank Plc has reduced its interest rates from 21% to 14% while CRDB Bank Plc has been able to reduce interest rates from 20% to 15%, similarly NMB Bank Plc has reduced interest rates for loans to smallholder farmers under the scheme from 19% to 16%.

- The portfolio guaranteed has been performing very well with Non-performing loans (NPL) reported by banks running below 2% and more than 50% of loans disbursed paid back by customers providing an opportunity to roll-over and revolve the fund multiple times hence impacting more famers. As at 31st December 2020, there were no claims submitted to TADB during the period.

- Through SCGS, NMB funded Cassava value chain for the first time to the tune of TZS 3.126 billion to 420 farmers (Male: 346; Female: 74) and 43 farmer groups linked to 575 farmers. The loan supported crop production and post-harvest equipment for drying cassava. In total, 995 farmers in Handeni, Tanga with 6,313 acres were supported to commercialize the crop.

- In an endeavor to revive the cotton sub-sector, TADB through partner financial institutions supported importation and supply of pesticides to over 600,000 cotton farmers countrywide. This intervention unlocked the availability of quality input to cotton farmers.

- On mechanization, a total of TZS 1.389 Billion funded 13 tractors, 24 trailers, 1 combine harvester and 1 cane loader. This promotes the use of technology in the sisal, maize, paddy and sugarcane value chain as well as enhance crop production and minimize post-harvest losses.

- In supporting storage facilities, TADB through SCGS supported construction of 2 warehouses (each with a storage capacity of 11,000MTs) in Nanyumbu and Nanyamba, Mtwara. Upon completion, over 2,500 cashewnut farmers will have access to modern storage facilities.

- SCGS supported access to market for smallholder farmers whereby over TZS 5.29 Billion supported 33 SMEs engaged in agro-processing industries. This intervention provided access to market for over 14,552 smallholder farmers in five value chain Maize, Paddy, Sunflower, Coffee and Meat.

- 17 agro input suppliers funded TZS 1.617 Billion to support access to inputs (Seeds, Fertilizers and Pesticides) to over 5,490 farmers across the country. Moreover, 2 poultry commercial farms were funded TZS 2.19 Billion to support production and distribution of Day Old Chicks (DOC) to over 1,700 poultry farmers.

In 2021, TADB will focus on increasing access to financing for smallholder farmers through its SCGS products with a particular focus on women and youth smallholder farmers. Furthermore, the scheme through its technical assistance allocated funding amounting to USD 1.43m shall focus on developing our partner financial institutions to provide well-structured adapted solutions for smallholder farmers.

SMEs, Trade and Agriculture go hand in hand and complement each other as well as support the achievement of the country's vision for export-led growth. In 2021, TADB is expected to launch its Agro-Trade and Supply Chain Finance Programme which is aimed at catalysing credit access for SMEs involved in agriculture value chains through providing banks with liquidity under specific mandates that such funds be utilized towards supporting SMEs with linkages to agricultural value chains hence unlocking the challenge of constrained access to financing.

2.12.4.3 FSDT project – Promoting financial inclusion and inclusive finance; -

Key achievements during the year are as follows; -

- More than 99% of payment to more than 140,000 coffee famers made through bank account compare to past where mostly it was done on cash basis. Annual turnover of three co-operatives in Kagera is more than TZS 60 billion which is currently being paid through banks accounts. Through TADB intervention the farm gate price paid to farmers have increased from TZS 800 to TZS 1,200 during 2020 financials year season. Also, more than 5,000 women were employed and LGA tax collection system have been enhanced.

- Through the engagements, the directive was issued to all cotton traders to ensure payment to famers are done through bank account from 2020/21 season resulting to more than 200,000 new banks account being opened. Co-operative leaders were trained, and their governance structure enhanced. Moreover, through TADB intervention, two ginneries were revived connecting the famers to the primary processing and increasing famers crop prices from 800 shillings to 920 shillings.

- More than 90% of payments to cashew famers is currently being done through bank account enhancing their credibility and financial records. Through this, TADB working with NMB extended a credit line of more than TZS 9.4 billion during 2019/2020 season and more in 2020/21 season.

- In collaboration with WRRB, FSDT, TCDC, TMX, the TADB facilitated a training on warehouse receipt financing to the following to various co-operatives and famers organisation enhancing markets and price discovery. Through TMX intervention prices for cereals and other cash crops like cocoa and cashew is picking up.

- TADB held the first Fit4Ag forum focusing on the edible oils sub-sector where 25 representatives of key actors in the Sunflower and Palm Oil sector where engaged during the first day, and Tanzania Bankers Association (TBA) members of which has over 25-member partner banks during the second day. Through this intervention, TADB has financed extraction plant for 3 customers and is working with MoA and MoFP to mobiles resources for investment on seed production.

- The banks facilitated AAPC meeting which paved the engagement to develop an investment fund (TAICOR) with USAID and DCF which strives to mobilise TZS 100bn capital for investment to boost agriculture supply chains and increase the volume and value of agricultural production.

- Facilitated the preparation of three policy papers on structuring tax incentives to enhance investment in Agri sector, establishment of famers crop funds and structuring investment through famers co-operatives

- Agri insurance – policy paper on exemption of value-added tax on agricultural crop insurance which was implemented during 2020/21 fiscal budget

2.12.4.4 Resource mobilization and partnership success stories for 2020

Tanzania Agriculture Gross Domestic Product (GDP) by Economic Activity at 2015 prices for 2019 as outlined in the NBS report, was 30.8 trillion shillings while loans disbursed in this agricultural sector were 1.88 trillion shillings which is 6.11 percent of output. This funding little compared to the significance of the agricultural sector which employee more than 70% of the population, provides more than 65% of the industries raw materials and around 30% of the foreign currency.

REPORT OF THE DIRECTORS (CONTINUED)

Tanzania domestic credit to private sector (as a percentage of GDP) is currently at 13% while Sub-Saharan African countries are at 43%, South Africa at 75% and countries like Vietnam running above 100% (at 139%). More so, the percentage of commercial lending to the agri-sector has declined from 40% during the 90's to 6.7% in 2016 before picking up again after TADB intervention to 9.4% end of 2019.

With the above, to unlock long-term and strategic investment in the agri-sector, more strategic and well-structured blended resources are highly needed. During the year 2020, the bank restructured its funding directorate to focus on global engagements, strategic partnership and resources mobilisation.

In doing so, the bank engaged various stakeholders in an effort to build strategic alliances and mobilize funds and other resources for the bank. During the year 2020, the TADB successfully – conducted 86 engagements with 35 different stakeholders within the sector. These engagements have enabled the bank to establish key partnerships that have impacted our clients.

The categories of stakeholders engaged ranged from public sector actors, foreign dignitaries, consultants, local and international financial institutions, development partners and non-profit organisations. The following highlight the milestones achieved by the end of December 2020.

i. TADB received the funds from IFAD worth USD 4million for the implementation of the smallholder farmers credit Guarantee scheme (SCGS). Out of the received funds, USD 1.4million is allotted as TA to support the scheme to reach the envisaged objectives. The TA fund will be used to provide capacity building to TADB and partner Financial institutions.

ii. In September 2020, TADB signed agreement with ACELI Africa to support SMEs in Agriculture. The programme provides financial incentives such as SME portfolio first loss cover (incentivizing lenders to make more loans that meet impact criteria and are designed to absorb the incremental risk from serving these marginalized borrowers), origination incentives (that compensates the bank for lower revenues and higher operating costs of making smaller loans to SMEs that would not otherwise have access to financing) and impact bonuses coupled with TA support to partner financial institutions and borrowers. TADB was the first Financial Institution in Tanzania to partner with the programme and the bank is expecting to utilise at least USD 5 million of the fund during the year 2021.

iii. The African Guarantee Fund for SMEs (AGF) approved a guarantee line worth USD 10million to support SMEs in Agriculture. Such credit sharing instruments are highly needed considering the nature of the SME in Tanzania and limited guarantee schemes in Tanzania. This partnership will also enable TADB to partner with AFAWA initiative to support women-owned businesses.

iv. TADB had advanced discussion and preliminary agreements with BMGF to support the dairy sector in Tanzania through an inclusive Private sector-led diary production and processing programme. This programme is expected to benefit more than 100,000 small-scale dairy producers and create market linkages between producers and processors. BMGF has provided initial commitment worth USD 7 million in grant to support the programme.

v. Funding worth €80million from AFD for institutional support to TADB is on the move. The Government has sent a request letter to AFD. Funding worth $500,000 has been allotted as TA for the initial review of TADB's products and strategy by consultants. The Consultants are currently conducting the review.

vi. Africa Legal Support Facility (ALSF) partnership agreement is in final stages, this engagement will provide capacity building to TADB legal team. The ALSF support is worth USD 100,000.

vii. TADB's continued its collaborations with the FSDT under the Financial Inclusion Initiative programme signed in 2019. FSDT allotted a grant worth USD 600,000 to TADB to support financial inclusion initiatives in the agriculture sector through two Programmes: The Mfumo Jumuishi and Fit4Ag with funding worth. The project has been extended, currently in the final stages of hiring a Project coordinator.

viii. TADB's collaborations with JICA continued, in 2020 key staff of the bank received KAIZEN training and other management training.

ix. IFAD and TADB are in discussion to partner in a new programme known as Agricultural and Fisheries Development Programme (AFDP). The programme will provide support to two priority areas of the ASDP II, by addressing challenges in the seeds fisheries and aquaculture value chains, while strengthening institutional capacities of key public institutions and private sector stakeholders. TADB has applied for funding worth USD 5million through NSO to support the programme.

x. TADB in discussion with AGRA to pilot the new Integrated Value Chain Financing (IVCF) model adopted by the bank. AGRA have committed to provide USD 400,000 in grant to support non-financial activities such as SHFs mobilization, training and BDS.

xi. TADB signed an MoU with UNDP to partner in the establishment of people-centered Investment facility. The facility aims at creating a conducive environment for investments through provision business development services for project preparation and linking projects to investors. TADB submitted nine (9) projects to be supported by the facility, whereby consultants are still reviewing the submitted projects.

xii. TADB joined Convergence Blended Finance Platform. Through this platform, TADB has managed to connect with a number of partners and currently in discussions to collaborate in various projects. This platform provides the opportunity for TADB to expand its network of partners and mobilize resources.

xiii. TADB received AfDB' s mission for the Project Completion Report (PCR). The PCR has provided highlights of the key achievements and impact made by the AfDB project.

xiv. To scale up lending to the agri-sector, TADB continued to work very closely with commercial local banks and regional development banks to develop and package projects which are then co-financed by participating financial institutions. Up to December 2020, the bank had approved and co-financed projects with other banks worth TZS 150.65 billion and other projects worth 120.3 billion are in the pipeline.

Moreover, the bank engaged Tanzania Social Security Association (TSSA) which include all Government pensions and insurance funds such as NSSF, PSSSF, WCF and NHIF pitching for them to extend their investment portfolio to the agriculture sector which offers better returns compared to other sectors when structure well. Engagements are ongoing, and two projects on textile and apparel subsector are expected to be funded in 2021.

2.12.4.5 Studies and research which were conducted included the following:

As an Apex and advisory arm to the Government, the bank prepared and submitted various policy briefs, investment and funding proposals and various recommendations to the government. Below is the summary of Policy Briefs/Recommendations which were submitted during the year 2020;

i. Opportunities for Import Substitution in the wheat Sub-sector; The brief proposed a set of policy interventions by the Government of Tanzania in order to facilitate effective implementation of the wheat import substitution strategy spearheaded by the Bank and its partners.
ii. Safeguarding Tanzania coffee exports; In the wake of the anticipated effects of COVID-19 induced downturn, the brief proposed strategies aimed at safeguarding Tanzania's coffee exports – guarantee forex earnings, farmers' incomes and the livelihoods of coffee farmers in the country.
iii. Revival of cooperative unions key to the industrialization of the cotton sub-sector; The paper proposed the adoption of a farmer-centered approach to the industrialization of the cotton sub-sector to take the form of the following key strategies;
   - The revival of cooperative unions' cotton ginneries;
   - Facilitating investments in cooperative unions' cotton/edible oil milling; and
   - Facilitating investment in strategic warehouse facilities and the establishment of an efficient and transparent marketing system for cotton through the Tanzania Mercantile Exchange (TMX).

   Recommendations from the policy brief were adopted by the Ministry of Finance and Planning leading to approval of TADB plans to revive 3 cooperative ginneries in the Lake Zone which were defunct for decades - 2 ginneries have been revamped and started operations in 2020; 3 other ginneries are scheduled to be revamped and start operations in 2021.

iv. Establishment of a Price Deficiency Payment Scheme; This policy brief proposes the formation of a Price Deficiency Payment Scheme (PDPS) to compensate farmers against losses which would otherwise be incurred should the wholesale market prices of agricultural commodities fall below the declared MSP.

v. Recommendations towards government's move to consolidate economic empowerment funds; The paper shares TADB's recommendations towards implementation of the Government's move to consolidate economic empowerment funds. The recommendations are offered in line with the bank's mandate of playing an advisory role to the Government in implementation of the Government 2nd generation financial sector reforms in the country among other things. Specifically, the paper proposed the adoption of a framework around an Enterprise Development Fund (EDF), as a specialized agency which would act as an anchor institution operating at arm's length with SMEs, strategic investments and other beneficiaries who will receive funding support from specialized funds proposed under the framework. (Grant Fund, Debt Fund; Equity Fund; and Guarantee Fund)

vi. Cashew investment brief; The brief proposed the adoption of a strategy to attract investment to expand cashew production and promote value addition by expanding the capacity of existing processors and attracting new investment. A set of policy recommendations towards improving the business environment around the cashew sub-sector were also offered.

vii. Opportunities for import substitution in the edible oils sub-sector; The brief offered policy recommendations aimed at promoting the growth of the sunflower sector to reach its full potential and deliver the envisaged import substitution outcomes – attracting additional investment in sunflower seeds production, investment in solvent extraction technology and improve the competitiveness of Tanzania's sunflower oil.

viii. "Urasimishwaji wa Biashara ya Mifugo;" Offered recommendations which aimed to inform the process to formalize and improve the business environment for livestock trade. Formalization through formal registration of sellers and buyers and establishment of an MIS system holds the opportunity of improving livestock market operations, encourage the flow of finance and information and improve collection of Government revenue.

ix. National financial sector master plan recommendations; Contributed inputs toward authorship of the master plan as a comprehensive strategy document guiding the development of the financial sector in Tanzania.

Concept notes/Proposals prepared during the year 2020 included the followings;

i. Enhancing vertical integration of the coffee supply chain in Kagera; On behalf of KCU and KDCU, the paper is a tool being used by TADB to seeking technical assistance (TA) to facilitate industrial upgrading and modernization of TANICA to enable the company to effectively integrate within the coffee supply chain in Tanzania. The sought

TA will promote the company's competitiveness, improve production quality and quantity, and expand access to national, regional and international markets. The TA will also serve to improve the company's capacity to manage technological change and adapt to the changing demands and competition in the local, regional and international markets.

ii. Partnership for Promoting Investment in the Red Meat Value Chain; The paper proposes a project to promote investment in the red mead value chain with the objective; To facilitate investments in expanding feedlot capacity of small-scale livestock keepers and commercially viable agribusinesses (animal fatteners), off-taking, processing and export of red meat and red meat products in line with the national goals of improving productivity and production in the key livestock value chains in the country.

The partnership will employ a market-led, demand driven private sector development approach by coupling investments in enhancing the productivity of pastoralists/agro-pastoralists and facilitating the establishment of and building the capacity of SMEs to engage in commercial animal fattening linking pastoralists/agro-pastoralists and TANCHOICE Limited. The partnership will also feature targeted campaigns to build awareness on opportunities for commercializing traditional livestock farms for increasing incomes and job creation.

iii. Integrated value chain financing model (IVCF) Model; The model was conceived and adopted as an innovative approach of financing investments and build social capital in agricultural value chains. The model pays particular focus on supporting smallholder production with additional support and financing extended to downstream actors in agricultural chains. The model nurtures synergies between different value chains players, enabling institutions and other relevant partners, taking advantage of their varying experiences and expertise to deliver sustainable agricultural sector growth and transformation.

iv. A concept note and proposal were developed for application of grants worth USD 300,000 from Alliance for a Green Revolution in Africa (AGRA) to support operationalization of the Integrated Agricultural Value Chain Model (IVF Model) highlighted above.

2.12.4.7 Key impactful interventions/Projects financed by TADB in 2020

S/N	Client & value chain	Cluster	Project description
1	Grain Milling facility by a locally owned firm. Value chain: Maize Location: Bagamoyo.	Eastern Zone,	1) Purpose: Procurement and installation of modern maize milling machines, storage silo and weighbridge in Sanzale Bagamoyo District. To finance input supply, Mechanization, post-harvest management and Agro-Processing and Purchase of animal feeds processing plant. 2) Loan amount approved: 13 billion 3) Disbursed amount as at 30th Dec 2020: TZS 6.793 billion for the project aimed at procurement and installation of modern maize processing and storage facility in Bagamoyo and Kibaha, Coastal, Rukwa, Ruvuma, Kagera and Arusha Region. 4) Beneficiaries: 3,102 smallholder farmers. 5) Project partner: AGRA, FTMA, RUDI, LGA, BRITEN, SEEDCO, YARA and AVI – a management company.
2	Paddy post-harvest management.	Southern Highland zone	1.) Purpose: working capital for purchase of paddy 2.) Approved loan: TZS 300,000,000/= 3.) Disbursed amount: TZS 300,000,000/= 4.) Project status: Funds disbursed and customer is operating under CMA 5.) Beneficiaries: 1005 6.) Partners: NMB
3	Dairy and beef cattle farm Value chain: Dairy & beef, livestock Location: Korogwe and Tanga city, Tanga, Njombe & Arusha.	Eastern Zone, Southern Highland zone, Central Zone	DAIRY 1) Purpose: Intervention to easy up working capital and cash flows by taking over NMB facility, Procurement of Extended Shelf Life (ESL) Machines, construction of 18 Milk Collection Centers (MCC) for Dairy project located at Kange area Tanga, To finance CAPEX and working capital paying farmers in Njombe that supply milk to the factory. 2) Loan approved: TZS 10.7 billion 3) Disbursed amount as at 30 December 2020: TZS 8,960,240,624.25 for procurement of ESL machines and taking over NMB facility. 4) Beneficiaries: 26 AMCOS with 6900 smallholder dairy farmers. 5) Project partner: Heifer International Njolifa, LGA BEEF 6) Purpose: Intervention to facilitate cattle breading, fattening and slaughtering facility at Msata Bagamoyo district. 7) Loan approved: Tzs 347,201,000.00 8) Disbursed amount as at 30th Dec 2020: TZS 257,701,000.00 for procurement of breeding stock, fattening stock and Meat processing machines. 9) Beneficiaries: 2 10) Indirect beneficiaries: 15 livestock keeper in Bagamoyo. LIVESTOCK: Profile: Manufacturer and Supplier of Veterinary Medicine, Agro-Chemicals, Animal Feeds and distribution of meat products, located in Arusha. Purpose: To finance capital expenditure (CAPEX) requirements of the project i.e. construction of warehouses and completion of office block, to finance additional equipment, raw materials and packaging materials to enhance running of quality halal processing and non- processing halal meat production. Approved amount: TZS 94 million Disbursed amount: TZS 591 million. For construction of warehouse and office block. Beneficiaries: Small and medium livestock keepers in Arusha Project Status: Under Implementation Partner Banks: CRDB & TPB

REPORT OF THE DIRECTORS (CONTINUED)

S/N	Client & value chain	Cluster	Project description
4	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 billion 3) Disbursed amount as at Dec 2020: TZS 9.22 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 6) Project Partner: Financial Institutions (CRDB, STANBIC BANK & STANDARD CHARTERED BANK)
5	Oil Seeds Project Value chain: Palm Oil, Groundnuts & Sunflower Location: Kigoma and Arusha Region.	Western Zone, Central Zone	1) Purpose: Procurement of oil palm milling, oil palm refinery, packaging machines and distribution vans. 2) Loan approved: TZS 444 million 3) Disbursed amount: TZS 367 million as at January, 2020 4) Beneficiaries: 847 smallholder farmers including 13 Amcos in Kigoma region 5) Partners: Local investment climate (LIC) under DANIDA GROUNDNUTS: 1) Profile: Groundnuts Processing mills plant brown field located in Arusha municipality. 2) Purpose of financing: ✓ Capital expenditure i.e. purchases of distribution truck (Hiace Van). ✓ Working capital (purchases of raw materials (groundnuts) from Chemba DC 3) Approved amount: TZS 130 million – To purchase machines. 4) Disbursed amount: TZS 70million Beneficiaries: 36 smallholder farmers. SUNFLOWER: 1.) Profile: Sunflower Oil processing plant, private owned and located in Singida (Manyoni) 2.) Purpose of funding: ✓ Capital Expenditure i.e. construction of the project's buildings, storage facility and machineries. ✓ Working capital for purchases of raw materials (sunflowers seeds) for manufacturing of edible oil and to meet initial operating expenses and packaging materials. 3.) Approved amount: TZS 2,221 million 4.) Disbursed amount: TZS 1,619 million 5.) Beneficiaries: 829 smallholder sunflowers 6.) Project status: Under implementation

REPORT OF THE DIRECTORS (CONTINUED)

S/N	Client & value chain	Cluster	Project description
6	Roots and Tubers Project Value chain: Potatoes & Irish potato Location: Rungwe, Bunju, Dar es Salaam.	Southern Highland zone Eastern Zone	1.) Purpose: Purchase of inputs for Potato farmers, Finance capex for purchase of land, irrigation system, installation and working capital. To finance purchase of two truck for distribution of potatoes from smallholder farmers in Njombe and Mbeya to Dar es Salaam. 2.) Approved Loan: TZS 324.8 million 3.) Disbursed Amount: TZS 524.8 million 4.) Project status: Project was successful and customer's paid the loan early before the due date and already requested for new facility and brought out growers for scaling up the project 5.) Beneficiaries: 4,750 6.) Partners: LGA and Stawisha
7	Horticulture Project	Southern Highland zone	1.) Purpose: Capital expenditure for purchase of land, irrigation system and installation and working capital. 2.) Approved loan: TZS 470 million 3.) Disbursed amount: TZS 96.6 million 4.) Project status: Project is in progress. 5.) Beneficiaries: 100 out growers. 6.) Partners: SACGOT
		Central Zone	1.) Profile: Winery making project- Brownfield, youth private owned project with operations based in Chamwino, Dodoma. 2.) Purpose of financing: Capital expenditure (CAPEX) loan for new facilities and working capital facility for purchases of grapes from farmers. 3.) Approved amount: TZS 498 million 4.) Disbursed amount: TZS 223 million for purchase of Machineries. 5.) Beneficiaries: 60 smallholder farmers 6.) Project Partners: TARI.
9	Coffee rehabilitation project Value chain: Coffee Location: Songwe, Kagera and Mara Regions.	Lake Zone, Southern Highland zone	1) Purpose: Intervention to facilitate unions to trade facilities for purchasing and collection of dry cherry coffee from smallholder farmers at, processing and selling of clean. TADB also ensured good farm gate prices were offered to farmers on time. To finance inputs for coffee Amcos in Songwe, 2) Approved loan: TZS 45.1 billion 3) Disbursed amount: TZS 44.3 billion 4) Project status: Project implementation is very successful as the season was closed and the association managed to collect a total of 63.2 Million Kgs of Cherry coffee from smallholder farmers and managed to repay the bigger potion of the loan which was issued. Paid TZS 1,200 as initial payment to farmers against market farm gate price of TZS 1,000 per kilogram. 5) Impact: Farmers paid good prices, on time and created a sure market for farmers through financing unions. Livelihood improved. 6) Beneficiaries: 125,039 smallholder farmers from Kagera, Mara and Songwe Region. 7) Partners: TCB and LGA's. CRDB and NMB for financial Institutions

S/N	Client & value chain	Cluster	Project description
10	Cotton Ginneries Project Value chain: Cotton Location: Chato, Kahama, Bukombe and Mbogwe.	Lake Zone	1. Purpose: Revival of three Union ginneries Cooperative Union which had not been operations for the last 7 years. 2. Impact: Revival of Union ginneries and paid up to TZS 920 as initial payment to farmers against market farm gate price of TZS 810 per kg. 3. Disbursed amount: TZS 7.6 billion for the season. The Bank approved TZS 17.6 billion but due to insufficient seed cotton, Utilization was less and as well one Cooperative Union requested to utilize its facility for season 2021/2022. 4. Beneficiaries: 11,000 smallholder farmers. Did capacity building to Union leaders for 5 Union. 5. Partners: LGA's of respective areas and NMB and TPB bank as commercial Banks.
11	Fishing Projects. Fish Value Chain: Fish Cage projects in Mwanza and Mara. Fish Cooperative Societies in Mwanza. Fish Processing factories in Kagera.	Lake Zone	1. Purpose: Intervention to unlock fish value chain (through working capital, technology and equipment's which had for a long time not had appetite from commercial banks. 2. Approved loan: TZS 1.7 billion 3. Disbursed amount: TZS 1.6 billion. 4. Project Status: Project is 85% implemented of which we have financed 2 fish processing factories, 2 fish cage farming projects and 2 Fishing Cooperative Societies 5. Beneficiaries: 5,200 fishermen and other fish traders in Kagera, Geita, Mwanza and Mara Region. 6. Impact: This is the first time small holder fishermen have been financed in Lake Victoria. TADB intervened in the whole value chain i.e from farming, fishing and processing. 7. Partners: LGA's for all projects and Ministry of Fishery for the Fishing cooperative society projects.
12	Irrigation scheme. Value chain: Paddy Location: Ruvu, Chalinze Costal.	Eastern Zone	1) Purpose: Phase 1 of the project, Capital Expenditure (CAPEX) loan for purchase of farm mechanization equipment (2 tractors and its implement) and working capital facility for purchase of inputs Ruvu, Chalinze Costal. 2) Loan amount: TZS 471.75 million. 3) Beneficiaries: 894 smallholder farmers (326 women). 4) Indirect Beneficiaries: 28,826 surrounding the scheme. 5) Project Partner: AGRI-TERRA
13	Women Project Value chain: Poultry Location: Kigamboni Dar es Salaam.	Eastern Zone	1) Purpose: To finance construction of 2 poultry sheds, distribution truck, feeder & drinkers for poultry farm located at Kigamboni, Dar es Salaam. 2) Disbursed amount: TZS 106.98 million. 3) Beneficiaries: 1 smallholder farmers. 6) Employment create: 5 people.

REPORT OF THE DIRECTORS (CONTINUED)

2.13 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. Whilst 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 2020 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.

2.14 Pending litigations, claims and assessments

At the year ended 31 December 2020, 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 (2019: TZ 658 Million) has been made.

2.15 Employees' welfare

i. Management and Employees' Relationship

There is continued good relationship between employees and management for the year ended on 31 December 2020.

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 76 employees, out of which 28 were female and 49 were male, while in 2019 it had 75 employees, out of which 29 were female and 46 were male.

iii. Training facilities - Building human and intellectual

To achieve our vision, intellectual capital being an intangible asset that contribute to TADB's financials and non-financials (developmental) performance, during 2020 the bank focused highly on the expertise of employees including the sum of knowledge contained within the organization. The bank spent resources developing management expertise and training TADB employees in business-specific areas to add to the "mental capacity," of the bank. This capital employed brought in experts in different value chains to enhance intellectual capital intending to provide a return to the bank and we do believe it contributed highly towards many years' worth of business value.

The focus for the year 2020 was characterized by building foundational awareness to staff on the value chain model, product knowledge and understanding financial statements as well as legal and governance related topics. Compliance related Programmes such as Anti Money Laundering and Whistleblowing were key areas that staff were capacitated at. The bank also leveraged on making use of technology for learning by establishing the TADBees Lounge platform (an online platform incorporating formal and informal staff engagements in all aspects of the organization).

Total of eighteen (18) new staff were employed in business areas to increase intellectual capital. e.g., among the newly hired staff, we acquired a new resource in the areas of Nutrition, Post-harvest Management and Gender Inclusion aiming at contributing directly to the food security, nutrition and sustainable agriculture policy and governance related results envisioned under TADB strategic objectives. The resource is also responsible in linking smallholder farmers to market demand of both large anchor buyers and local alternative markets and aggregating farmers to train them in post-harvest management, promote their adoption of technologies, and aggregate their crops to meet buyer quantity and quality requirements. Responsibility of creating a more Gender Inclusive environment for a better go to market strategy is also among what this resource does.

Balanced scorecard, being an industry performance metric, was implemented in 2020 to measure four perspectives (financial, customer, internal processes, and organization capacity) of employees as part of banks' efforts to quantify intellectual capital invested.

Implementation of Corporate training plan continued. In the 2020, the bank invested/spent TZS 93 million (TZS 155 million) to various staff who attended different training Programmes geared at imparting and sharpening their skills and knowledge in line with identified staff development gap.

Training Programmes 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.

i. 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.

ii. 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.

iii. 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.

REPORT OF THE DIRECTORS (CONTINUED)

iv. 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.

v. 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 76 (75 in 2019).

2.16 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.

2.17 Related party transactions

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

2.18 Political and charitable donations

During the year ended 31 December 2020 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 2019, 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.

2.19 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.

2.10 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 Deloitte Touche Tohmatsu Limited were appointed to carry out the audit of Tanzania Agricultural Development Bank on behalf of the Controller and Auditor General.

2.21 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 2020, 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 2020.

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.

2.22 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:

....	....
CHAIRPERSON	**BOARD MEMBER**
Date**:**	Date**:** ....

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 2020 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: ....

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 2020

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 2020 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 2020, 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 mis-stated.

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

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

Key audit matter	How my audit addressed the key audit matter
There is a risk of error in accounting for expected credit losses (ECLs) of the Bank's financial assets. Management's estimate of ECLs involves exercise of significant judgment in relation to probability of default (PD), loss given default (LGD), determining values of collateral valuation. This area is also susceptible to bias; • Credit quality and risk management processes are continuously evaluated by the Bank of Tanzania giving rise to a risk of non-compliance; and • The model developed for the computation of the expected credit losses might not be applied correctly, and or data inputs may not be complete and accurate.	Our response for term loans, staff loans, placements, balances with other banks, other assets and government securities financial assets included: • Assessing and testing the design and operating effectiveness of the controls over credit origination, monitoring including controls changed resulting from application of IFRS 9; • Assessing whether the Bank's credit policies are aligned with IFRS 9; • Evaluating, through our Financial Risk Management (FRM) specialists, the appropriateness of the Bank's IFRS 9 expected credit losses model; • Assessing, through our Information Risk Management (IRM) specialist, the completeness, accuracy and validity of data and inputs used in the computation of ECLs provision; • Using available external and independent information to confirm management's assumptions and judgments in determining ECLs provision. • For default loans (more than 90 days in arrears), evaluating the feasibility of future cash flow forecasts prepared by management, validating the assumptions made, and comparing the estimates to external evidence where available; • 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 is necessary to enable the preparation of financial statements that are free from material mis-statement, 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 mis-statement, 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. Mis-statements 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, 2021.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 TZS	2019 TZS
Interest income	6	27,754,672,578	16,848,332,822
Interest expense	7	(1,851,503,551)	(1,654,308,525)
Net interest income		25,903,169,027	15,194,024,297
Expected Credit Losses (ECL)	11	(3,456,599,866)	(1,771,340,652)
		22,446,569,161	13,422,683,645
Non-interest income			
Foreign exchange Profit/(Loss)	8	701,502,549	101,397,150
Revenue grants	9	644,917,407	817,570,834
Fees and commission	10	889,897,995	2,044,505,235
Other incomes		-	13,960,686
		2,236,317,951	2,977,433,905
Administrative expenses			
Salary and benefits	12	7,865,265,238	7,028,681,844
Other operating expenses	13	2,946,827,947	4,066,543,147
Depreciation and amortisation	14	1,986,547,491	1,238,557,586
		12,798,640,676	12,333,782,577
Operating income before Tax		11,884,246,436	4,066,334,973
Income tax expense	15(a)	(3,659,189,601)	(1,006,471,015)
Operating income after tax		8,225,056,835	3,059,863,958
Other comprehensive income		-	-
Total comprehensive income		**8,225,056,835**	**3,059,863,958**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 TZS	2019 TZS
Assets			
Cash and bank balances	19	130,783,132,946	109,254,240,079
Loans and advances to banks	20	118,805,164,686	112,356,123,221
Loans and advances to customers	21	120,816,420,716	102,300,527,011
Property and equipment	16	2,365,168,928	3,489,707,762
Intangible assets	17	347,655,762	96,040,805
Right-of-use assets	18(a)	499,870,069	-
Other assets	22	817,786,478	845,091,948
Deferred tax asset	23	2,442,315,468	1,121,984,753
Total assets		**376,877,515,053**	**329,463,715,579**
Capital and reserves			
Share capital	33	60,000,000,000	60,000,000,000
Retained earnings		16,261,651,485	8,036,594,649
Capital grants	24	456,946,185	1,000,003,242
Total capital and reserves		**76,718,597,670**	**69,036,597,891**
Liabilities			
Long term borrowings	30	208,456,755,116	208,439,739,577
Special customer deposits	27	29,400,257,930	631,879,344
Special funds	28	53,749,571,382	49,570,419,239
Deferred income	29	3,555,309,000	-
Other liabilities	25	3,115,295,000	1,596,270,346
Lease liabilities	18(b)	517,594,024	-
Current tax liabilities	15(b)	1,364,135,799	188,809,181
Total liabilities		**300,158,917,383**	**260,427,117,687**
Total equity and liabilities		**376,877,515,053**	**329,463,715,579**

The Financial statements and notes on pages 131 to 191 were approved by the Board of Directors on ....2020 and signed on its behalf by:

____________________________ ________________________________

Chairperson Managing Director

____________________________ ________________________________

Date Date

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capital TZS	Retained Earnings TZS	Capital Grants TZS	Total Equity TZS
Balance at 1 January 2019	60,000,000,000	5,276,730,692	1,817,574,075	67,094,304,767
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)
Balance at 31 December 2019	**60,000,000,000**	**8,036,594,650**	**1,000,003,241**	**69,036,597,891**
Balance at 1 January 2020	60,000,000,000	8,036,594,650	1,000,003,242	69,036,597,892
Profit for the year	-	8,225,056,835	-	8,225,056,835
Amortization of capital grant	-	-	(543,057,057)	(543,057,057)
Divided paid	-	-	-	-
At 31 December 2020	**60,000,000,000**	**16,261,651,485**	**456,946,185**	**76,718,597,670**

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 TZS	2019 TZS
Cash Flows from operating activities:			
Income before taxation		11,884,246,436	4,066,334,973
Adjustments for: -			
Depreciation and amortization	14	1,986,547,491	1,238,557,586
Capital grant amortised	24	(543,057,057)	(817,570,834)
Interest expense on lease	18(b)	59,763,173	
Foreign currency exchange (gain)		-	82,418,128
Impairment on loans and advances	11	3,456,599,866	1,771,340,652
Operating cash flow before working capital changes		**16,844,099,909**	**6,341,080,505**
Increase in loans and advances		(21,800,612,631)	(464,669,748,442)
Decrease/(increase) in other assets		27,346,860	(175,657,491)
Increase in other payables		1,347,787,377	281,522,078
Net cash used in operating activities		**(20,425,478,394)**	**(464,563,883,855)**
Taxation paid	15(b)	(3,804,193,696)	(1,824,327,496)
Net cash used in operating activities		**(7,385,572,181)**	**(460,047,130,847)**
Cash flow from investing activities:			
Purchase of property and equipment	16	(131,060,100)	(1,268,688,544)
Purchase of intangible assets	17	(279,245,372)	-
Net cash used in investing activities		(410,305,472)	**(1,268,688,544)**
Cash flow from financing activities:			
Increase in long term borrowing		17,015,539	104,461,720,795
Increase in special deposit		32,947,530,729	454,168,565,583
Dividend payment		-	(300,000,000)
Payment of lease liability	18(b)	(745,357,358)	-
Grant received during the year		3,726,545,409	-
Net cash flows from financing activities		**35,945,734,319**	**558,330,286,378**
Net change in cash and cash equivalents		**28,149,856,666**	**97,014,466,988**
Cash and cash equivalents at beginning of the year		**221,991,792,018**	**124,977,325,030**
Cash and cash equivalents at end of the year	32	**250,141,648,684**	**221,991,792,018**

NOTES TO THE FINANCIAL STATEMENTS

1.0 REPORTING ENTITY

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 Roadm,
Dar es Salaam, Tanzania.

The Bank's key roles include catalysing lending to the agriculture sector and providing short, medium and long- term credit facilities for development of agriculture in Tanzania.

2.0 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).

The annual financial statements have been approved by the board on the 14 June 2021. Details of the bank's accounting policies are included in Note 3.

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

3.0 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 bank 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.

4.0 Financial assets and financial liabilities -accounting policies for financial instruments

4.1.0 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 12m ECL. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from stage 2. months The 12 mecl is calculated as the portion of lifetime ECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The bank calculates the 12 mecl 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.
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

3.4.2 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
- 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.

3.4.4 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

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.

3.5.1 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 re-measurement 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

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.

3.5.2 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.

3.6 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 hardware 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.

3.7 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.

3.8 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.

3.9 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.

3.10 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.

3.11 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

3.12 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.

3.13 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.

3.14 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.

3.15 Comparatives

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

3.16 New standards and interpretations

The new and amended standards and interpretations are effective for annual periods beginning on or after 1 January 2020, unless otherwise stated. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

3.16.1 Adoption New standards and amendments to published standards effective for the year ended 31 December 2020

The following new and revised IFRSs have been applied in the current year and had no material impact on the amounts reported in these financial statements.

3.16.2.1 Amendments to References to the Conceptual Framework in IFRS Standards

The amendments to references to the Conceptual Framework in IFRS Standards was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

Together with the revised Conceptual Framework published in March 2019, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework.

Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2019) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

3.16.1.2 Definition of a Business (Amendments to IFRS 3)

Amendments to IFRS 3 make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

These amendments had no impact on the consolidated financial statements of the Bank.

3.16.1.3 Definition of Material (Amendments to IAS 1 and IAS 8)

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material'.

Three new aspects of the new definition should especially be noted:

- Obscuring. The existing definition only focused on omitting or misstating information, however, the Board concluded that obscuring material information with information that can be omitted can have a similar effect. Although the term obscuring is new in the definition, it was already part of IAS 1 (IAS 1.30A).
- Could reasonably be expected to influence. The existing definition referred to 'could influence' which the Board felt might be understood as requiring too much information as almost anything 'could' influence the decisions of some users even if the possibility is remote.
- Primary users. The existing definition referred only to 'users' which again the Board feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

3.16.1.4 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 2020 and have not been applied in preparing these annual financial statements.

SN	Standard	Effective Accounting Period
1	IFRS 17 Insurance Contracts	Effective for accounting periods beginning on or after 1 January 2023
2	Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	Effective for accounting periods beginning on or after 1 January 2023
2	Reference to the Conceptual Framework (Amendments to IFRS 3)	Effective for accounting periods beginning on or after 1 January 2022
4	Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	Effective for accounting periods beginning on or after 1 January 2022
5	Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	Effective for accounting periods beginning on or after 1 January 2022
6	Annual Improvements to IFRS Standards 2018–2020	Effective for accounting periods beginning on or after 1 January 2022
7	Covid-19-Related Rent Concessions (Amendment to IFRS 16)	Effective for accounting periods beginning on or after 1 June 2020
8	Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Effective for accounting periods beginning on or after 1 June 2021

Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2020;

3.16.2.1 IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

IFRS 17 is effective for accounting periods beginning on or after 1 January 2023 and is expected to have significant impact on the financial statements. The Directors are still assessing impact of IFRS 17 to the financial statements.

3.16.2.2 Classification of Liabilities as Current/Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendment to IAS 1 is effective for accounting periods beginning on or after 1 January 2023 and is not expected to have significant impact on the financial statements.

3.16.2.3 Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The amendment is effective for accounting periods beginning on or after 1 January 2022 and is not expected to have significant impact on the financial statements.

3.16.2.4 Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendment to IAS 16 is effective for accounting periods beginning on or after 1 January 2022 and due to the manure of the Company, is not expected to have significant impact on the financial statements.

3.16.2.5 Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).The amendment to IAS 37 is effective for accounting periods beginning on or after 1 January 2022 and is not expected to have significant impact on the financial statements.

3.16.2.6 Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements to IFRS Standards 2018–2020 makes amendments to the following standards:

- **IFRS 1** – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- **IFRS 9** – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- **IFRS 16** – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- **IAS 41** – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- The amendment to above standards is effective for accounting periods beginning on or after 1 January 2022 and is not expected to have significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.16.2.7 Covid-19-Related Rent Concessions (Amendment to IFRS 16)

The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

Amendment to IFRS 16 is effective for accounting periods beginning on or after 1 June 2020. The Directors are still assessing impact of IFRS 16 to the financial statements.

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendment to above standards is effective for accounting periods beginning on or after 1 January 2021 and is not expected to have significant impact on the financial statements.

4.0 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.

5.0 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. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Risk management is coordinated and carried out by risk department and Risk Management Committees 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 Operational risk, credit risk, liquidity risk and market risk.

5.1 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and general accepted standards of corporate behavior. Operational risk arises from all of the Bank's operations.

The Bank's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the Bank's reputation with all cost effectiveness and innovation. In all cases, Bank policy requires compliance with all applicable legal and regulatory requirements.

The Board of directors has delegated the responsibility for operational risk to its Bank Operational risk team under Risk department. The responsibility is supported by the overall Bank standards for the management of operational risk in the following areas:

- Requirement for appropriate segregation of duties, including the independent authorization of transactions,
- Requirement for reconciliation and monitoring of transactions,
- Compliance with regulatory and other legal requirements,
- Documentation of controls and procedures,
- Requirement for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified,
- Requirement for reporting of operational losses and proposed remedial action,
- Development of contingent plans, training and professional development,
- Ethical and business standards; and risk mitigation, including insurance where this is cost effective.

Compliance with the Bank standards is supported by the programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the operational risk team and submitted to the Board Audit Committee of the Bank.

5.2 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. It is composed of obligor risk, risks associated with climate change, concentration risk and sector specific (agriculture) challenges. 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.

5.2.1 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, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to management credit committee, Board Business Committee (BBC) and main Board of Directors as appropriate.
- Reviewing and assessing credit risk; Bank Credit department assesses all credit exposures before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries, (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Reviewing compliance of business units with agreed exposure limits, including those for selected sub-sectors/ value chains and product types (short, medium and long-term facilities). Regular reports on the credit quality of portfolios are provided to Board Business Committee (BBC), which may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.
- Business Directorates (Business and treasury) are required to implement Bank credit policies and procedures, with credit approval authorities delegated from the Board Business Committee (BBC). Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to Board approval.

The bank credit risk management processes including credit limit and concentration guideline is embedded within the bank's enterprise-wide risk management process. Within the bank's overall risk appetite disciplines, the credit metrics and concentrations framework includes key credit ratios and counterparty and it is currently being updated to include the sub-sectors (value chains) limits. These in turn are cascaded to various directorates where they are monitored against approved appetite thresholds.

5.2.2 Credit Risk Mitigations

Wherever warranted, the bank attempt to mitigate credit risk, including counterparty credit risk (CCR), to any counterparty, transaction, sub-sector/value chain, or geographic region, so as to achieve the optimal balance between risk, cost, capital utilisation and reward. Risk mitigation may include the use of collateral, the imposition of financial or behavioural covenants, the acceptance of guarantees from parents or third parties, the recognition of parental support, and the distribution of risk.

Collateral and guarantees are widely used to mitigate credit risk. Credit risk management policies and procedures ensure that risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5.2.2.1 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.

5.2.2.2 Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risks as loans. Documentary and commercial letters of credit - which are written undertakings by the Bank up to a stipulated amount under specific terms and conditions are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

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

5.2.2.3 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 and commercials properties,
- Charges over business assets such as premises,
- Inventory and accounts receivable,
- Government and other Development Financial Institutions Guarantees,
- Charges over financial instruments such as debt securities and equities,

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

Below is the summary of the values of collaterals maintained by the bank to mitigate the credit risk.

The bank closely monitors collateral held for financial assets considered to be credit impaired, as it becomes likely that the bank will take possession of collateral to mitigate potential credit losses.

	Forced sale values	Market Values
Mortgages over residential and commercials	119,724,049,793	153,976,749,668
Government and other Development Financial Institutions Guarantees	13,479,031,706	13,479,031,706
Corporate Guarantee	15,000,000,000	15,000,000,000
Charges over business assets (Debenture)	72,577,587,500	108,979,662,525
Cash cover (Special loans)	330,000,000,000	330,000,000,000
Total collaterals	**550,780,668,999**	**621,435,443,899**
Gross loan and advances exposure	**456,122,475,045**	**466,918,328,962**

5.2.3 Credit risk measures

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. 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 (PD) 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 (EAD); and

(iii) The likely recovery ratio on the defaulted obligations (the 'loss given default - LGD').

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. Exposure at Default for term loans is estimated as contractual rundown on the loans. This is estimated as the outstanding balance on the facility while for the off-balance sheet items exposure at default is estimated as the outstanding balance multiplied by the credit conversion factor (CCF) which means 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

5.2.3.1 Impairment and provisioning policies

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a Significant Increase in Credit Risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Refer to note 3.4.1.4 for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 3.4.1.4 for a description of how the Bank defines credit-impaired and default.
- Financial instruments in Stage 1 have their Expected credit losses (ECL) measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 3.4.1.4 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 3.4.1.4 includes an explanation of how the Bank has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

5.2.3.2 Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes.

The characteristics and any supplementary data used to determine groupings are outlined below: Repayment type (e.g. Repayment/Interest only) and agriculture sub-sectors (value chains). Basing on repayment type the bank has five sub-categories which includes monthly repayments, Quarterly repayment's, Semi-annual repayments, annual repayments and payments on maturity (seasonal loans). Basing on value chains, the bank has categorized loans into *Fisheries, livestock, Cereals crops, Industrial Commodities and Horticulture.*

5.2.3.3 Maximum exposure to credit risk before collateral held

Financial instruments whose carrying amounts represent the maximum exposure to credit risk without taking account of any collateral held. The directors are confident in the ability to continue to control and sustain minimal exposure of credit risk to the Bank from its financial assets.

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 following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets. The credit quality of financial assets is managed by the Bank using internal credit ratings.

2020	Stage 1	Stage 2	Stage 3	Total
Term Loans to Customers	87,307,277,284	33,866,287,927	4,948,842,384	**126,122,407,595**
Staff loans	2,796,168,640	-	141,405,296	**2,937,573,936**
Loan to banks	119,280,421,388	-	-	**119,280,421,388**
Other assets in scope	138,061,459	-	-	**138,061,459**
Bank balances in scope	130,865,252,513	-	-	**130,865,252,513**
Total	**340,387,181,284**	33,866,287,927	**5,090,247,680**	**379,343,716,891**
% contribution	**90%**	9%	**1%**	**100%**

2019	Stage 1	Stage 2	Stage 3	Total
Term Loans to Customers	102,178,807,847	243,243,557	1,718,900,697	104,140,952,101
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	**326,658,364,893**	**243,243,557**	**1,902,691,201**	**328,819,299,651**
	99.8%	**Less than 1%**	**Less than 1%**	**100%**

Other Assets for all Note 4 disclosures exclude non-financial instruments such as prepayments, staff valuation, and stationery stock

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Below is the summary of provisions per category

2020	Stage 1	Stage 2	Stage 3	Total
Term Loans to Customers	1,357,316,770	1,113,100,603	4,354,554,834	**6,824,972,207**
Staff loans	41,987,312	-	131,870,013	**173,857,325**
Loan to banks	475,256,702	-	-	**475,256,702**
Other assets in scope	3,308,786	-	-	**3,308,786**
Government Securities	-	-	-	**-**
Bank balances in scope	78,094,350	-	-	**78,094,350**
Total	**1,955,963,920**	**1,113,100,603**	**4,486,424,847**	**7,555,489,370**

2019	Stage 1	Stage 2	Stage 3	Total
Term 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**

The loss allowance recognized through profit and loss statement which is the movement (increase/decrease on provision between the two years) and write-off is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL,
- Additional allowances for new financial instruments recognised during the year, as well as releases for financial instruments de-recognised in the year,
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the year, arising from regular refreshing of inputs to models,
- Impacts on the measurement of ECL due to changes made to models and assumptions,
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis,
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets de-recognized during the period and write-offs of allowances related to assets that were written off during the period.

5.2.4 Concentration of risks of financial assets with credit risk exposure

The following table breaks down the Bank's main credit exposure at their carrying amounts (except where indicated otherwise), as categorised by the industry sectors of its counterparties

2020	Customer loans TZS' million	Staff loans TZS' million	Loans to banks TZS' million	Other bank balances TZS' million	Other assets TZS' million	Total TZS' million
Agriculture						
Industrial Commodities	76,432	-	-	-	-	76,432
Cereals	41,189	-	-	-	-	41,189
Livestock	4,740	-	-	-	-	4,740
Horticulture	2,479	-	-	-	-	2,479
Fishing	1,283	-	-	-	-	1,283
Sub Total	126,840	-	-	-	-	126,840
Financial Institutions	-	2,957	119,280	130,865	-	**253,102**
Other sectors	-	-	-	-	138	**138**
Total	**126,840**	**2,957**	**119,280**	**130,865**	**138**	**378,080**

For detailed value chain breakdown (concentration) of loans and advances to customers refer to note 21

2019	Customer loans TZS' million	Staff loans TZS' million	Loans to banks TZS' million	Other bank balances TZS' million	Other assets TZS' million	Total TZS' million
Agriculture						
Industrial Commodities	33,467	-	-	-	-	33,467
Cereals	65,553	-	-	-	-	65,553
Livestock	3,330	-	-	-	-	3,330
Horticulture	1,380	-	-	-	-	1,380
Fishing	411	-	-	-	-	411
Sub Total	104,141	-	-	-	-	104,141
Financial Institutions	-	2,436	112,573	109,419	-	224,428
Other sectors	-	-	-	-	235	235
Total	**104,141**	**2,436**	**112,573**	**109,419**	**235**	**358,804**

For detailed value chain breakdown (concentration) of loans and advances to customers refer to note 21

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5.3 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.

5.3.1 Foreign exchange risk

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

To manage the foreign currency risk on the long term borrowings, through on-lending agreement, the funds are passed on to the bank (TADB) on local currency equivalent while the Government Treasury department assumes and manages the currency risk. The currency risk on the Government side is managed through various global market currency risk management instruments or products like forex currency swaps.

Up to the end of the year, all loans and interbank placement were in local currency while a smaller percentage of the balances with banks was in USD currency. As highlighted above most of the liabilities are in local currency with a smaller percentage of special funds/managed funds maintained in Foreign currency.

5.3.2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

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

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

Interest rate risk analysis

Contractual Maturity of undiscounted cash Flows of Financial Assets and Liabilities

	0 – 3 Months	3 – 6 Months	7 – 12 months	Above 1 year	Non-interest Bearing	Total
31 December 2020	TZS	TZS	TZS	TZS	TZS	TZS`
FINANCIAL ASSETS						
Cash & Banks balances	113,986,646,933	3,271,837,242	8,060,205,352	-	5,542,537,769	**130,861,227,296**
Loans to banks	24,785,524,552	81,087,857,534	1,832,069,894	11,574,969,408	-	**119,280,421,388**
Loans to Customers	4,180,835,299	12,080,022,627	27,986,351,989	84,831,870,159	-	**129,079,080,074**
Other Assets	-	-	-	-	138,061,459	**138,061,459**
Total	**142,953,006,784**	**96,439,717,403**	**37,878,627,235**	**96,406,839,567**	**5,680,599,228**	**379,358,790,217**
FINANCIAL LIABILITES						
Long term Borrowing	-	254,451,001	-	208,202,304,115	-	**208,456,755,116**
Special Customer Deposits	29,400,257,930		-	-	-	**29,400,257,930**
Special deposits/funds	-	-	-	-	49,490,246,884	**49,490,246,884**
Other liabilities	-	-	-	-	4,825,787,548	**4,825,787,548**
Total	**29,400,257,930**	**254,451,001**	**-**	**208,202,304,115**	**54,316,034,432**	**292,173,047,478**
Maturity gap as at 31 December, 2020	**113,552,748,854**	**96,185,266,402**	**37,878,627,235**	**(111,795,464,548)**	**(48,635,435,204)**	**87,185,742,739**

	0 – 3 Months	4 – 6 Months	7 – 12 months	Above 1 year	Non-interest Bearing	Total
31 December 2019	TZS	TZS	TZS	TZS	TZS`	TZS`
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	5,785,023,180	6,052,937,982	46,482,385,064	-	**102,300,527,011**
Other Assets	-	-	-	-	235,479,367	**235,479,367**
Total	**191,382,051,759**	**64,497,231,788**	**20,694,935,641**	**46,482,385,064**	**1,089,765,426**	**324,146,369,678**
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	-	-	49,490,246,884	-	50,202,298,583
Total	**197,204,686**	**237,435,462**	**-**	**257,692,550,999**	**1,596,270,346**	**260,238,308,506**
Maturity gap as at 31 December, 2019	**191,184,847,073**	**64,259,796,326**	**20,694,935,641**	**(211,210,165,935)**	**(506,504,920)**	**63,908,061,172**

5.4 Liquidity risk

Liquidity risk is defined as the risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

5.4.1 Approach to managing liquidity risk

The nature of the bank's banking activities (funding mostly long-term transactions) and regulatory set-up (which sets limits of liabilities which can be accepted by the bank i.e. Fixed deposits with minimum tenure of 2 years) gives rise to continuous exposure to liquidity risk. Liquidity risk may arise where counterparties, who provide the group with short-term and long-term funding, withdraw or do not provide funding as committed in the borrowing or investment contract (for the Government), or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

The bank manages liquidity in accordance with applicable regulations and within the bank's risk appetite framework. The bank's liquidity risk management governance framework supports the measurement and management of liquidity across the business under both normal and stressed conditions. Liquidity risk management ensures that the bank has the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times. The bank manages liquidity risk as three interrelated pillars, which are aligned to the Basel III liquidity requirements.

Moreover, the bank maintains a prudent approach to liquidity management in accordance with the applicable laws and regulations, these include maintaining both the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) in excess of the minimum regulatory requirements throughout the year. These ratios are the main drives of liquidity risk management, as such appropriate liquidity buffers were held in line with the assessment of liquidity risk in stressed market conditions across the geographies in which the group operates.

Proactive liquidity management in line with bank liquidity standards ensured that, despite volatile and constrained liquidity environments at the onset of the Covid-19 pandemic, adequate liquidity was maintained to fully support balance sheet strategies. At the same time consideration has been provided to the adequacy of contingent funding, ensuring sufficiency to accommodate unexpected liquidity demands. The bank continues to leverage on the extensive long-term funding base it has as highlighted on the resources mobilisation section under director's report to ensure that it has the appropriate amount, tenor and diversification of funding to support its current and forecast asset base while minimising cost of funding.

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. 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.

5.4.2 Maturity analysis of financial liabilities by contractual maturity

The following table analyses cash flows on a contractual, undiscounted basis based on the earliest date on which the bank can be required to pay and will, therefore, not agree directly to the balances disclosed in the consolidated statement of financial position.

Liquidity risk analysis

Contractual Maturity of undiscounted cash Flows of Financial Assets and Liabilities

31 December 2020	0 – 3 Months TZS	5 – 6 Months TZS	7 – 12 months TZS	Above 1 year TZS	Total TZS`
FINANCIAL ASSETS					
Cash and balances with Banks in Tanzania	119,529,184,702	3,271,837,242	8,060,205,352	-	130,861,227,296
Loans to banks	24,785,524,552	81,087,857,534	1,832,069,894	11,574,969,408	119,280,421,388
Loans to Customers	4,180,835,299	12,080,022,627	27,986,351,989	84,831,870,159	129,079,080,074
Other Assets	138,061,459	-	-	-	138,061,459
Total	**148,633,606,012**	**96,439,717,403**	**37,878,627,235**	**96,406,839,566**	**379,358,790,217**
FINANCIAL LIABILITES					
Long term Borrowing	-	254,451,001	-	208,202,304,115	208,456,755,116
Special Customer Deposits	29,400,257,930	-	-	-	29,400,257,930
Special deposits/funds	-	-	-	49,490,246,884	49,490,246,884
Other liabilities	3,980,790,413	-	-	844,997,134	4,825,787,547
Total	33,381,048,343	254,451,001	-	258,537,548,133	292,173,047,477
Maturity gap as at 31 December, 2020	**115,252,557,669**	**96,185,266,402**	**37,878,627,235**	**(162,130,708,566)**	**87,185,742,740**

Liquidity risk analysis

Contractual Maturity of undiscounted cash Flows of Financial Assets and Liabilities

31 December 2019	0 – 3 Months	6 – 6 Months	7 – 12 months	Above 1 year	Total
	TZS	TZS	TZS	TZS	TZS`
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	305,785,023,180	6,052,937,982	46,482,385,064	102,300,527,011
Other Assets	235,479,367	-	-	-	235,479,367
Total	**192,471,817,186**	**364,497,231,788**	**20,694,935,641**	**46,482,385,064**	**324,146,369,678**
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	-	-	49,490,246,884	50,202,298,583
Total	**1,134,684,312**	**237,435,462**	**-**	**258,351,341,719**	**260,238,308,506**
Maturity gap as at 31 December, 2020	**191,337,132,873**	**64,259,796,326**	**20,694,935,641**	**(211,868,956,655)**	**63,908,061,172**

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

5.5 Fair value of financial assets and liabilities

Fair value measurement hierarchy

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.

Transfers between the levels of the fair value hierarchy are recognized by the Bank at the end of the reporting period during which the change occurred. There were no transfers between hierarchy levels 1 and 2 during the year.

Valuation models or techniques

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

	Level 1	Level 2	Level3	Total
31-Dec-20	**TZS**	**TZS**	**TZS**	**TZS**
Financial assets				
Cash & Bank balances	-	130,783,132,946	-	**130,783,132,946**
Loans to banks	-	118,805,164,686	-	**118,805,164,686**
Loans and advances	-	120,816,420,717	-	**120,816,420,717**
Other assets	-	134,752,673	-	**134,752,673**
Total	**-**	**370,539,471,022**	**-**	**370,539,471,022**
Financial Liabilities				
Other Liabilities	-	**296,091,604,580**	-	**296,091,604,580**
	Level 1	**Level 2**	**Level3**	**Total**
31-Dec-19	**TZS**	**TZS**	**TZS**	**TZS**
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	**-**	**102,300,527,011**	**-**	**102,300,527,011**
Other assets	**-**	**235,479,367**	**-**	**235,479,367**
Total	**-**	**324,146,369,678**	**-**	**324,146,369,678**
Financial Liabilities				
Other Liabilities	**-**	**260,444,677,128**	**-**	**260,444,677,128**

Financial instruments not measured at fair value

The fair value of assets and liabilities not measured at fair value approximates carrying amounts. Where the fair value does not approximate carrying amount, the respective fair values have been computed and disclosed in this note below.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Bank does not have a very accurate basis for calculating the fair value of some of the 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.

	Carrying Amount	Fair Value
At 31 December 2020	**TZS**	**TZS**
Financial assets		
Cash and bank balances	130,783,132,946	130,783,132,946
Loan to banks	118,805,164,686	118,805,164,686
Loans and advances to customers	120,816,420,717	120,816,420,717
Other assets	134,752,673	134,752,673
	370,539,471,022	**370,539,471,022**
Liabilities		
Long term borrowings	208,456,755,116	208,456,755,116
Special Customer Deposits	29,400,257,930	29,400,257,930
Special Funds	53,749,571,382	53,749,571,382
Other liabilities	2,852,405,689	2,852,405,689
Lease liabilities	517,594,024	517,594,024
Current tax liabilities	1,364,135,801	1,364,135,801
	296,340,719,942	**296,340,719,942**
Net Financial Asset	**74,107,099,047**	**74,107,099,047**

At 31 December 2020	Carrying Amount TZS	Fair Value TZS
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	102,300,526,011	102,300,526,011
Other assets	845,091,946	845,091,946
	324,755,981,257	**324,755,981,257**
Liabilities		
Long term borrowing	208,439,739,577	208,439,739,577
Special Deposits/funds	50,202,298,583	50,202,298,583
Tax payables	188,809,181	188,809,181
Other payables	1,596,270,346	1,596,270,346
	260,427,117,687	**260,427,117,687**
Net Financial Asset	**64,404,659,426**	**64,404,659,426**

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.

Cash and balances with Bank of Tanzania - The carrying amount of cash and balances with Bank of Tanzania is a reasonable approximation of fair value

Balances with other banks -The balance includes inter-bank placements, balances with other banks and items in the course of collection. The carrying amount of floating rate placements and overnight advances is a reasonable approximation of fair value. The estimated fair value of fixed interest-bearing advances is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

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. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Borrowings - Significant portion of borrowing is benchmarked to LIBOR (London Interbank Offered Rate) and therefore reprices at balance sheet date. Management has considered the impact of borrowings with

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

fixed interest rate as insignificant to the total fair value of borrowings. The fair value of borrowings therefore approximates its carrying value.

5.6 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. Other bank's capital management objectives include; -

- To ensure compliance with the capital requirements set by the Bank of Tanzania (BoT);
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

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 50 billion;
- Maintain at all times a minimum core capital and total capital equivalent to thirteen percent (13%) and fifteen percent (15%) respectively of its total risk-weighted assets and off balance sheet exposures.; and
- Where a development finance institution owns or controls a bank or financial institution, directly or indirectly, the capital adequacy requirements shall be satisfied by each bank or financial institution on a solo basis, and the parent institution shall comply with the capital adequacy requirements on a solo and consolidated basis

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

- **Tier 1 capital** means permanent shareholders' equity in the form of issued and fully paid ordinary shares, and perpetual non-cumulative preference shares, capital grants and disclosed reserves less year to date losses, goodwill organization, pre-operating expenses, prepaid expenses, deferred charges, leasehold rights and any other intangible assets.
- **Tier 2 capital (supplementary capital)** means general provisions which are held against future, presently unidentified losses and are freely available to meet losses which subsequently materialize, subordinated debts, cumulative redeemable preferred stocks and any other form of capital as may be determined and announced from time to time by the Bank.

During the period, the Bank has complied with all the imposed capital requirements of Bank of Tanzania to which the Bank is subject.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The table below summarizes the composition of core capital of the bank

	2020 TZS	2019 TZS
Share Capital & Reserves		
Advance Toward Share Capital	60,000,000,000	60,000,000,000
Retained Earnings	16,261,651,487	8,036,594,650
Capital Grants	456,946,185	1,000,003,242
	76,718,597,672	**69,036,597,892**
Less:		
Pre-paid expenses	(612,962,758)	(612,962,758)
Deferred tax & Tax Assets	(2,136,336,789)	(1,121,984,753)
	(2,749,299,548)	**(1,734,947,512)**
Total Available Capital	**73,969,298,123**	**67,301,650,380**
Risk weighted assets	**199,061,425,667**	**133,716,214,490**
Capital Adequacy ratio	**37%**	**50%**

The increase of the risk-weighted assets reflects the increase in loans and advances, off-balance sheet exposure and operational risk capital charge during the year.

Following adoption of IFRS 16 in 2019, on-balance sheet assets includes right-of-use asset. For regulatory capital purposes, right-of-use of assets is treated as aa tangible asset and applies the risk weight consist with the risk weight that would have been applied to the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2020 TZS	2019 TZS
6.0 Interest Income		
Interest on Loan & Advances to customers	11,597,000,526	8,408,385,840
Interest on Staff Loans	166,721,164	139,109,786
Interest on Treasury Bills	-	163,598,902
Income from Call Account	1,817,700,445	1,272,417,529
Interest from Interbank Placement	14,173,250,443	6,864,820,765
Total	**27,754,672,578**	**16,848,332,822**
7.0 Interest Expenses		
Interest expenses on long-term borrowings	1,572,232,735	1,358,870,168
Interest expenses on short-term deposits	219,507,643	295,438,357
Interest Expense-Right of use of assets	59,763,173	
Total	**1,851,503,551**	**1,654,308,525**
8.0 Foreign Exchange Profit/(Loss)		
Foreign exchange - sales revenue	502,722,160	99,069,153
Forex revaluation gain/loss	198,780,389	2,327,997
Total	**701,502,549**	**101,397,150**
9.0 Grant amortisation		
Amortization of capital grant - MIVARF	543,057,057	817,570,834
Amortization of FSDT fund	101,860,350	-
Total	**644,917,407**	**817,570,834**
10.0 Fees and commissions		
Fund Management Income	-	1,075,000,000
EIR - Loan upfront Income	509,373,304	833,726,890
Credit Guarantee risk sharing Income	380,524,691	135,778,345
Total	**889,897,995**	**2,044,505,235**

11.0 Loan Impairment charges

As at 31 December 2020	Balance sheet ECL - 2020 TZS	Balance sheet ECL - 2019 TZS	ECL movement (P&L) - 2020 TZS
Customer loans			
Stage 1	1,357,316,770	1,869,676,328	(512,359,558)
Stage 2	1,113,100,603	3,772,604	1,109,327,999
Sub Total	**2,470,417,373**	**1,873,448,932**	**596,968,441**
Stage 3 (NPL)	4,354,554,834	1,718,900,697	2,635,654,137
Total (Customer loans)	**6,824,972,207**	**3,592,349,629**	**3,232,622,578**
Staff loans			
Stage 1	41,987,312	173,775	41,813,537
Stage 2	-	-	-
Sub Total	**41,987,312**	**173,775**	**41,813,537**
Stage 3 (NPL)	131,870,013	121,587,202	10,282,811
Total (Staff Loans)	**173,857,325**	**121,760,977**	**52,096,348**
Other Financials Assets			
Loan to banks	475,256,702	217,010,720	258,245,982
Government Securities	-	-	-
Bank balances - IFRS 9 scope	78,094,350	164,417,998	(86,323,648)
Other Financial assets	3,308,785	3,350,179	(41,394)
Sub Total	**556,659,837**	**384,778,897**	**171,880,940**
Grant Total	**7,555,489,369**	**4,098,889,503**	**3,456,599,866**

As at 31 December 2019	Balance sheet ECL - 2019 TZS	Balance sheet ECL - 2018 TZS	ECL movement (PnL) - 2019 TZS
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)	**121,760,977**	**86,132,284**	**35,628,693**
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	152,089,366	(148,739,187)
Sub Total	**384,778,897**	**1,327,381,642**	**(942,602,745)**
Grant Total	**4,098,889,503**	**2,327,548,851**	**1,771,340,652**

	2020 TZS	2019 TZS
12. Salaries and benefits		
Wages, salaries and allowances	5,266,283,615	4,942,464,610
Social Security cost	456,835,196	441,560,627
Skills development levy	199,187,787	214,567,473
Workman's Compensation fund	23,437,782	23,840,830
Employment benefits	894,508,896	418,773,654
Medical Insurance	260,192,143	246,885,344
Other employee insurance cost	33,214,725	-
Leave & Transfer cost	481,901,814	491,785,490
Learning and Development cost	93,730,775	155,037,509
Other employment cost	155,972,505	93,766,307
Total	**7,865,265,238**	**7,028,681,844**

13. Other operating expenses

Occupancy & Utilities cost	509,371,375	1,513,483,558
Marketing and Advertising expenses	512,584,853	470,142,550
ICT Cost	346,772,800	294,186,320
Audit Cost	130,500,000	68,750,000
Legal & Consulting cost	132,564,743	386,800,255
Travels & Business monitoring cost	777,917,276	773,756,760
Credit Guarantee charges	111,284,601	91,062,285
Insurance Cost	41,865,936	60,428,898
Board meeting expenses	4,362,476	109,678,373
Motor vehicle fuel & maintenance cost	189,955,496	159,163,307
Other Operating cost	189,648,391	139,090,841
Total	**2,946,827,947**	**4,066,543,147**

14. Depreciation and amortisation

Depreciation of property and equipment	1,255,598,934	1,231,450,279
Amortization of right-of-use assets	703,318,140	-
Amortization of intangible assets	27,630,417	7,107,307
Total	**1,986,547,491**	**1,238,557,586**

15. Income Tax

	2020 TZS	2019 TZS
a. Income tax expenses		
Current Income Tax	4,979,520,317	1,630,533,483
Deferred income tax - current year (note 18)	(1,320,330,716)	(624,062,468)
	3,659,189,601	**1,006,471,015**

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	11,884,246,438	4,066,334,973
Tax calculated at the statutory Income tax rate 30%	**3,565,273,931**	**1,219,900,492**
Effects of non-qualifying capital allowances	147,166,660	-
Permanently disallowed expenditures	140,224,232	31,841,773
Income not subject to tax	(193,475,222)	(245,271,250)
Income tax as per Income statement	**3,659,189,601**	**1,006,471,015**

b. Income tax recoverable

At beginning of the year	**188,808,181**	382,602,194
Current year income tax	4,979,521,314	1,630,533,483
Tax paid during the year	(3,804,193,696)	(1,824,327,496)
At end of the year	**1,364,135,799**	**188,808,181**

16. PROPERTY AND EQUIPMENT

	Computers Electronic Equipment	Office Equipment	Furniture & Fixtures	Motor vehicles	Leasehold Improvements	Total
	TZS	TZS	TZS	TZS	TZS	TZS
COST						
01 January 2020	2,860,952,687	602,026,659	754,858,431	1,220,911,149	992,128,961	6,430,877,887
Additions:	107,507,840	1,871,000	1,481	-	21,679,779	131,060,100
Balance as at 31 December 2020	**2,968,460,527**	**603,897,659**	**754,859,912**	**1,220,911,149**	**1,013,808,740**	**6,561,937,987**
DEPRECIATION						
01 January 2020	**1,618,620,163**	**102,897,564**	**194,878,417**	**653,214,549**	**371,512,558**	**2,941,123,251**
Charge for the year	679,381,661	71,821,613	98,637,284	219,165,552	186,639,698	1,255,645,808
At 31 December 2020	**2,298,001,824**	**174,719,177**	**293,515,701**	**872,380,101**	**558,152,256**	**4,196,769,059**
NET BOOK VALUE						
31 December 2020	**671,508,616**	**428,128,570**	**461,344,210**	**348,531,048**	**455,656,484**	**2,365,168,928**
31 December 2019	**1,243,382,437**	**498,079,183**	**559,980,013**	**567,696,600**	**620,569,530**	**3,489,707,762**

No property and equipment of the Bank has been pledged as security for liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets

	Software	Work in progress*	Total
Cost			
At 1 January 2020	125,954,723	-	125,954,723
Additions during the period	5,515,361	273,730,013	279,245,374
At 31 December 2020	**131,470,084**	**273,730,013**	**405,200,097**
Amortisation			
At 1 January 2020	29,913,918	-	29,913,918
Amortisation during the period	27,630,417	-	27,630,417
At 31 December 2020	**57,544,335**	**-**	**57,544,335**
Net carrying amount	**73,925,749**	**273,730,013**	**347,655,762**
As at 1 January 2019	24,283,722	-	24,283,722
Additions during the period	101,671,001	-	101,671,001
As at December 2019	**125,954,723**	**-**	**125,954,723**
Amortisation			
At 1 January 2019	22,806,611	-	22,806,611
Amortisation during the period	7,107,307	-	27,630,417
As at 31 December 2019	**29,913,918**	**-**	**29,913,918**
Net carrying amount	**96,040,805**	**-**	**96,040,805**

*Work in progress (WIP) relates to the cost incurred for the ongoing implementation and installation of the new core- banking system (ICBS). The bank is expecting to go live early 2021.

No intangible asset was pledged as security for liabilities as at 31 December 2020. There are no restrictions other than those outlined in the software license. As at 31 December 2020, there were no significant intangible assets controlled by the entity which have not been recognized as assets.

18 Leases

The Bank leases various branches (zones) premises and offices under non-cancellable operating lease agreements. The lease terms are between 1 and 6 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. No arrangements have been entered into for contingent rental payments, and also no restrictions have been imposed by these lease arrangements.

The statement of financial position shows the following amounts relating to leases:

a) **Right-of-Use of Assets (RoU)**		
Balance at the start of the year	-	-
Additions during the year – New lease	1,203,188,209	-
Amortisation of RoU during the year	(703,318,140)	-
Total	**499,870,069**	**-**
b) **Lease Liabilities**		
At start of the year	-	-
Additions during the year	1,203,188,209	-
Finance cost – Included as Interest expenses	59,763,173	-
Payment during the year	(745,357,358)	-
Total	**517,594,024**	**-**

Total cash flow for leases during the year 2020 amounted to TZS 745.36 million. There was no acquisition of right-of-use assets during the year.

19 Cash and Bank balances (Placements)

Cash with Central Bank	5,542,537,769	172,345,767
Cash in operating accounts	11,135,764,225	6,629,905,488
Call Deposits	96,861,354,438	82,706,457,040
Cash cover in other banks	17,321,570,864	19,909,949,782
Total	**130,861,227,296**	**109,418,658,077**
IFRS 9 Credit provisions	(78,094,350)	(164,417,998)
Net cash & Banks	**130,783,132,946**	**109,254,240,079**

20 Loans and advances to Banks

Placements with other banks	117,654,233,135	110,703,315,068
Accrued interest on placements	1,626,188,253	1,869,818,874
Total	**119,280,421,388**	**112,573,133,942**
Credit provisions on Placements	(475,256,702)	(217,010,721)
Net loans to banks	**118,805,164,686**	**112,356,123,221**

21 Loans and advances to customers

	2020 TZS	2019 TZS
Advances to customers (gross)	120,750,287,961	98,488,895,807
Accrued interest receivable	5,372,119,634	5,652,056,294
Total Gross loans	**126,122,407,595**	**104,140,952,101**
Less: Credit provisions on loans & advances	(6,824,972,207)	(3,592,349,629)
Interest In-suspense	(802,840,002)	(226,239,845)
Net Loans to customers	**118,494,595,386**	**100,322,362,627**
Loans and Advances to staff	2,956,672,479	2,417,061,391
Accrued interest on staff loans	-	19,014,773
Staff loans fair valuation adjustment	(460,989,824)	(336,150,804)
	2,495,682,655	**2,099,925,360**
Less: IFRS Credit provisions	(173,857,325)	(121,761,976)
Net Loans to staff	**2,321,825,330**	**1,978,163,384**
Total net loans and advances	**120,816,420,716**	**102,300,526,011**
Gross Loans		
Advances to customers (gross)	120,750,287,961	98,488,895,807
Loans and Advances to staff (gross)	2,956,672,479	2,417,061,391
Accrued interest on customer loans	5,372,119,634	5,671,071,067
Total Gross Loans	**129,079,080,074**	**106,577,028,265**

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.

	2020 TZS	2019 TZS
Southern Coast Cluster	1,555,120,564	35,062,237,374
Lake Zone Cluster	77,971,336,908	46,856,592,198
Eastern Cluster	34,494,160,520	13,653,600,338
Southern Highlands	6,323,660,211	5,241,951,204
Central Cluster	3,319,646,268	2,531,495,275
Northern Cluster	1,310,475,078	425,541,506
Western Zone	990,956,390	213,253,922
Zanzibar Cluster	157,051,656	156,280,284
Grand Total	**126,122407,595**	**104,140,952,101**

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.

	2020 TZS	2019 TZS
Cashew nuts	-	35,062,237,374
Coffee	36,108,897,689	16,315,684,309
Sorghum	16,175,779,487	11,734,628,660
Beef	11,835,972,530	9,228,167,254
Sugarcane	16,041,914,268	6,940,718,539
Maize	9,560,946,271	6,237,363,659
Cotton	7,646,725,475	6,141,395,286
Paddy	4,724,733,430	3,812,365,103
Sunflower	5,882,376,138	3,157,489,770
Diary	11,893,740,046	1,830,416,751
Fishing	1,697,188,919	1,183,585,695
Poultry	1,287,301,760	661,620,797
Tomato	319,239,799	430,656,842
Avocado	473,773,962	371,524,006
Palm Oil	654,641,582	213,253,922
Onions	394,695,236	141,829,994
Irish Potatoes	812,157,927	101,413,563
Honey	68,906,278	65,561,088
Others	543,416,798	511,039,489
Grand Total	**126,122,407,595**	**104,140,952,101**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Other Assets

	2020 TZS	2019 TZS
General Prepayments	222,043,980	276,811,956
Prepayment - Staff fair valuation	460,989,824	336,150,804
Other receivables	138,061,460	235,479,367
Total	**821,095,264**	**848,442,127**
Credit provisions on other assets	(3,308,786)	(3,350,179)
Net closing value	**817,786,478**	**845,091,948**
The movement in provision for impairment of other assets is as follows:		
At start of the year	(3,350,179)	(152,089,364)
Release/ (Charge) for the year	41,393	148,739,185
Balance at the end of the year	**(3,308,786)**	**(3,350,179)**

The release during the year 2020 was attributed to the decrease of other financials assets. Prepayment for various bank services does not qualify as financials assets hence not considered for Expected Credit losses provisions. Other assets have not been pledged as security for liabilities.

23 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; -

	2020 TZS	2019 TZS
Accelerated depreciation for tax purpose	140,291,776	358,941,327
Credit provisions on financial assets	(7,261,414,408)	(4,098,890,502)
Total giving to deferred tax	**(7,121,122,632)**	**(3,739,949,175)**
Deferred tax (Assets)/liability thereof	**(2,136,336,789)**	**(1,121,984,753)**

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

Opening deferred tax (Assets)/liability	**(1,121,984,753)**	**(497,922,285)**
Charge/(credit) to profit and loss	(1,014,352,037)	(624,062,468)
Charge/(credit) to other OCI	-	-
(Under)/over provision in prior years	-	-
Closing deferred tax (Assets)/liability	**(2,136,336,789)**	**(1,121,984,753)**

24 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 2020 was as follows:

	2020 TZS	2019 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:		
Balance at the begging of the period	**1,000,003,242**	**1,817,574,076**
Current year amortisations	(543,057,057)	(817,570,834)
31 December	**456,946,185**	**1,000,003,242**

25 Payables and Accruals

Accrued staff benefits	1,266,321,872	946,078,513
Suppliers & accruals	1,677,735,851	476,317,635
Deferred income - Guarantee fees	-	173,874,198
Total	**2,944,057,723**	**1,596,270,346**

Accrued staff benefits include gratuity payables at the end of the contract for staff on contract arrangement, terminal befits for staff with pending legal cases and accrual for annual performance bonuses. Other liabilities are expected to be settled within no more than 12 months after the reporting date.

26 Impairment provision under IFRS 9

Term Loans to Customers	6,824,972,207	3,592,349,629
Staff loans	173,857,325	121,760,976
Bank Placements	475,256,702	292,581,361
Bank balances in scope	78,094,350	88,847,358
Other assets in scope	3,308,785	3,350,179
Total	**7,555,489,369**	**4,098,889,503**

27 Special customer deposits

	2020 TZS	2019 TZS
Short-term special purpose deposits	28,849,495,080	-
Cash cover deposits from customers	397,721,754	379,865,645
Interest Payable - special deposits	153,041,096	252,013,699
Total	**29,400,257,930**	**631,879,344**

28 Special funds and managed funds

	2020 TZS	2019 TZS
RIF Fund	-	2,202,020,537
SCGS Funds	52,250,300,443	45,473,048,239
FSDT fund	-	460,038,000
AGRA Matching Grant	1,499,270,939	1,435,312,463
Total	**53,749,571,382**	**49,570,419,239**

- **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 were linked to TADB for loans to enable them purchase bulk steel silos with a capacity of storing minimum of 500 Mt and or to purchase milling machines with capacity of milling and packing 30Mt of maize per day.

  Up to the end of the year 2020, through TADB finance and the matching grant 11 SMEs had been financed to secure milling equipment's, silo, warehouse unlocking a total investment of more USD 5.4 million. These

SMEs are located across the country some in Southern Highlands, some in Lake zone while others are located on the Northern part of the country. The total capacity of milling machines facilitated are xxx while the total capacity of silos and warehouse is about xxx. The grant is accessed and utilized as part of the loan repayment to the bank hence reducing the burden to the beneficiaries while building their banking experience and loan repayment records and growing their business.

- **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%. During the year 2020, the decision was made to close the **Rural Innovation Fund (**RIF) project and transfer funds to SCGS project due to its traction in the market and its impact, with this the Programme received additional disbursements amounting to **USD 3.4 million bringing the total funds disbursed to USD 24.4** million out of the committed USD 25 million for the Programme.

  As of December 31st, 2020, TADB through its partner banks had managed to guarantee the disbursement of loans of up to approximately **TZS 63.46 Billion (the guaranteed amount was TZS 31.73 Billion)**. These loans were mainly for farming inputs for primary production (65%), and financing off-takers (35%). Cumulatively, the Banks financed more than **8,392 smallholder farmers directly resulting in 748,470 indirect beneficiaries** across the country.

- **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 were financial institutions, ICT companies, Agribusiness companies (input suppliers, off-takers, processors, service providers); and Farmers' organizations. This fund was also provided by the International Fund for Agricultural Development (IFAD) to the Government of Tanzania of which TADB was appointed as the administrator of the fund in November 2017. The fund was worth US$ 5 million.

  Due to some structural challenges of the fund administration, the programme implementation delayed and since the programme/project had to be closed, the Bank, together with the Government and the funder (IFAD) made a conscious decision to transfer the fund to the Smallholder Farmers Credit Guarantee Scheme (SCGS) project. The Bank is currently working with AFD to mobilise more funding for this programme and structure it better to ensure effectiveness and efficiency during implementation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 Deferred Income

	2020 TZS	2019 TZS
Deferred Credit Guarantee revenue	171,236,898	-
Deferred Grants - SCGS fund	3,091,322,581	-
Deferred Grants - FSDT fund	463,985,930	-
Total	**3,726,545,409**	**-**

a) **Deferred Grants - SCGS fund**
Smallholder Farmers Credit Guarantee Scheme (SCGS) deferred grant is the Technical Assistance fund (TA) which is 5.7% of the SCGS fund aiming at enhance the scheme on the followings aspects; -

- Guarantee scheme strategy review which included define a stakeholder engagement and management plan, setting up a Results Management model to conduct project monitoring and periodic reporting, building a strategy to ensure continuity of the facility/product, reviewing product/facility manuals, policies, Agency fund organisation and the engagement model
- Capacity Building to TADB staff, training the trainers on Agriculture value chain financing and enhancing the beneficiaries monitoring and tools and instruments including purchases of additional filed visits vehicles.
- Capacity building to banks including training the staff of agri-financing, building agri-lending strategy and policies for banks and supporting development of tailored agri-lending products.

b) **Deferred Grants - FSDT fund**
This is a USD 0.6 million (around $0.24 million disbursed) Technical Assistance fund contract from FSDT Tanzania aiming to address.

- To develop and to institutionalize within TADB two agricultural finance delivery models (a "Horizontal" and "Vertical" pillars or the Models), also known as Mfumo Jumuishi and Fit4Ag, and their related partnerships and frameworks.
- Leverage the Models to and assist TADB to reach at least 1 million farmers and to unlock capital in at least two value chains in the agriculture sector in Tanzania.
- To drive innovation in financial solutions, including for at least two TADB products and solutions for smallholder farmers and the agriculture sector in Tanzania; and
- Given the need for TADB to fully adopt the Models and to be able to leverage them effectively, the Project will facilitate activities and resources necessary for capacity building of TADB to effectively adopt and leverage the Models including facilitating the development of data platforms and solutions that reduce information asymmetry, developing a strategy on the potential form and function of new teams, departments, and units and developing organizational capacity to effectively develop and deploy women purposeful financial products and solutions.

30. Long-term borrowings

	2020 TZS	2019 TZS
Loan from AfDB	208,202,304,115	208,202,304,115
Accrued Interest on borrowings	254,451,001	237,435,462
Total	**208,456,755,116**	**208,439,739,577**

This is a long term structured loan facility from Africa Development Bank (AfDB) which was provided to TADB through the Government of Tanzania on lending arrangement. The loan facility was signed on 19th December 2016 worthy UA 67.27 million which is equivalent to USD 93.5 million or TZS 208 billion. The tenure of the loan is 40 years with 10 years' grace period and was disbursed to the bank in two equal tranches in 2017 and end of 2019. The Bank has been performing well by meeting all her obligations with the lender, inclusive of timely interest settlement. The bank is currently in advanced discussion with the Government to convert this debt to equity to enhance the capital of the bank.

31 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 2020, cash and cash equivalents comprise of the following:

	2020 TZS	2019 TZS
Cash and Bank	130,861,227,296	109,418,658,077
Loans to banks (Interbank placements)	119,280,421,388	112,573,133,942
Total	**250,141,648,684**	**221,991,792,019**

32. Related party's transactions

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

a. Due from related parties

	2020 TZS	2019 TZS
Loans and advances to senior management	703,501,224	597,506,662

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	2020 TZS	2019 TZS
Salaries for key management staff	2,013,439,003	2,296,175,608
End of the term allowance	77,236,809	101,815,429
Total	**2,090,675,812**	**2,397,991,037**

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

33. Share Capital

The bank's authorised and fully paid up share capital for the year ended 31 December 2020 is as follows:

	2020 TZS	2019 TZS
Authorized:		
800,000,000 Ordinary shares of TZS 1,000 each	800,000,000,000	800,000,000,000
Issued and fully paid up:		
60,000,000 Ordinary shares of TZS 1,000 each	60,000,000,000	60,000,000,000

34. Commitments and Contingent Liabilities

a) Loan commitments guarantee and other financial facilities

In common with other banks, the Bank conducts business involving financials guarantee/commitment and long-term project financing commitment of which some of them have been fully utilized and booked on balance while some are yet to be utilized. As at 31 December 2019, the Bank had the contractual amounts of off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities, as follows: -

	2020 TZS	2019 TZS
Undrawn Commitments	11,953,013,305	-
Other financials Guarantee (LC & Guarantee)	-	-
Total	**11,953,013,305**	**-**

b) **Operating lease commitments**
The present value of the future minimum lease payments under non-cancellable operating leases are included on the balance sheet and disclosed on note 18. As indicated on the balance sheet, the directors are of the view that these commitments will be sufficiently covered by future net revenues and funding

c) **Legal claims**
At the year ended 31 December 2020, there were four (4) pending cases. A legal opinion has been made assessing the likelihood of losing/wining both cases and bank's legal advisors are more than 50% confident that the bank will win both cases; however, a provision of TZ 658 million (2019: TZ 658 million) has been made (maintained from last year).

d) **Capital commitments**
The Management certifies that there was no capital commitment as at 31 December 2020.

35. Short-term special purpose deposit

During the year 2019, the Bank won a mandate to fund The Cereals and Produce Board of Tanzania (CPB) to purchase raw cashew nuts harvest for the season 2018/2019. In order to facilitate this transaction, the Bank mobilized funds/deposits from various organizations to facilitate the transaction.

The impact of this transaction to these financial statements for the year ended 31 December 2019 and 2020 is as follows:

	2020 TZS	2019 TZS
At 1 January	630,252,013,699	-
Deposits received during the year	28,849,495,081	630,000,000,000
Interest on deposits	219,507,643	295,438,357
Funds Paid (loan balance and interest)	(300,318,480,247)	(43,424,658)
At 31 December	**359,002,536,176**	**630,252,013,699**
Previously reported as:		
Loan receivable (asset)	330,000,000,000	630,000,000,000
Special deposits (Liabilities)	359,002,536,176	630,252,013,699
Impact on profit or loss		
Interest on deposits	219,507,643	295,438,357
Fees and commission	-	(1,075,000,000)
Net impact to profit or loss	**219,507,643**	**(779,561,643)**

36 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 operation.

Notes

Kilimo kina BENKIKA

TADB
Tanzania Agricultural Development Bank

4th Floor Plot 84 - 14109
Accacia Estates Bldg,
Kinondoni Road,

Tel: +255 22 292923501
Toll Free: 0800 110 120
E-mail: info@tadb.co.tz
https://www.tadb.co.tz