TADB

2021

Integrated Annual Report

Accelerating Recovery to Sustain Agri-transformation

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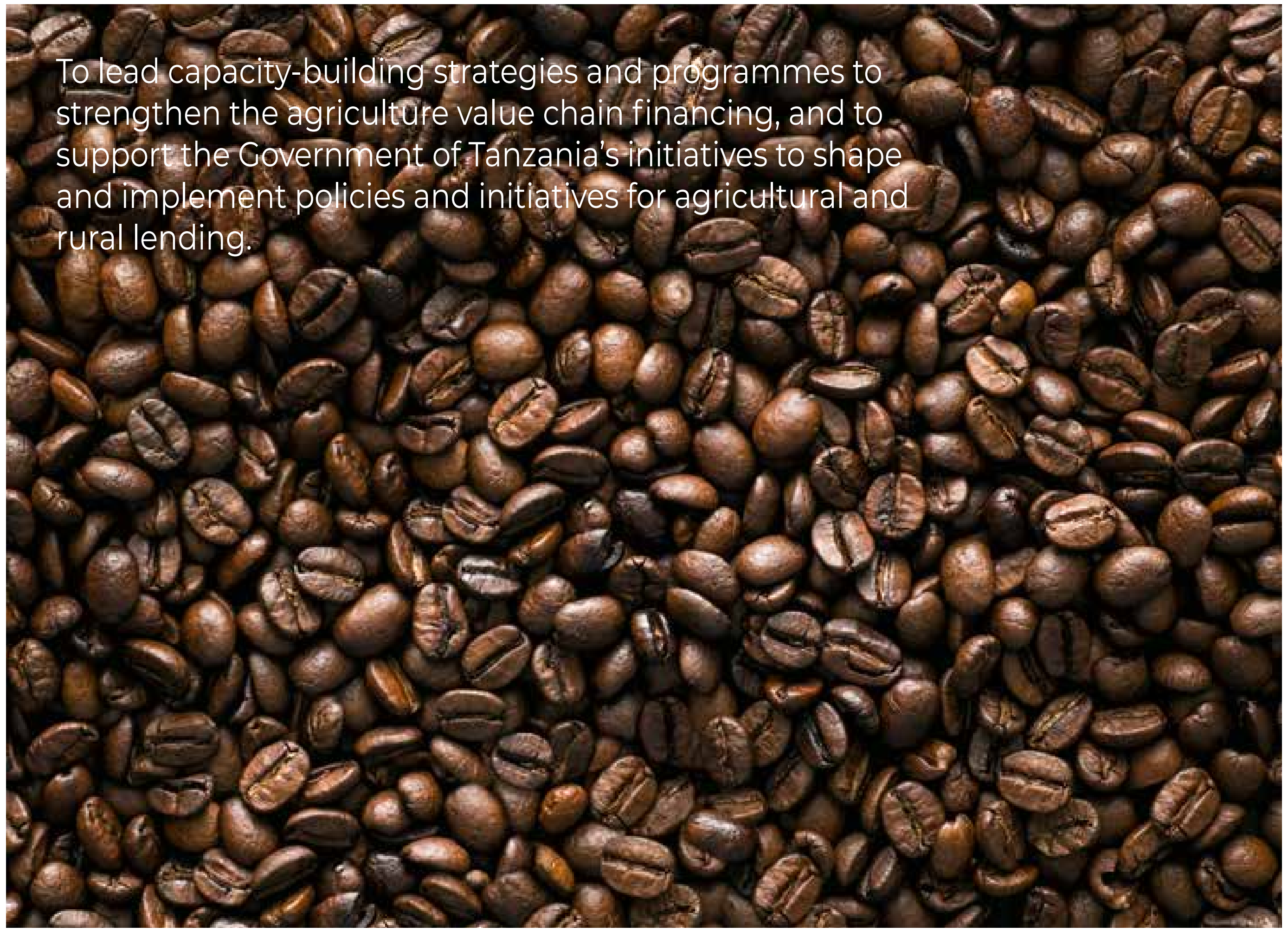
More than 65% of Tanzanians are farmers, who are engaged in crop cultivation, animal husbandry and fishing. Therefore, it is a dream for us to think that we will increase the speed of developing the economy and combating poverty without a major focus in those sectors.

H.E. Samia Suluhu Hassan,
President of the United Republic of Tanzania.

- Addressing Tanzania's National Assembly in Dodoma on 22nd April 2021.

Our Purpose



To lead capacity-building strategies and programmes to strengthen the agriculture value chain financing, and to support the Government of Tanzania's initiatives to shape and implement policies and initiatives for agricultural and rural lending.

About our Theme

Accelerating Recovery to Sustain Agri-transformation

2021 was largely a year of recovery for TADB. As the world continued to emerge from the ravages of the pandemic, organisations were swift in implementing reforms in their business models and rechannelling their investments to fully support their core business. The situation was not different for TADB. Our priority in 2021 was to ensure we recover from the shockwaves of the pandemic and support our customers in their journey of recovery. As you will learn in this annual report, the adaptive strategies implemented during the year yielded positive results leading to the improved performance reported herein.

The theme, therefore, captures our journey of transformation with the focus being our core mandate of transforming the agriculture sector in Tanzania.

Foreword

Hon. Dr. Mwigulu Nchemba
Minister of Finance and Planning

TADB, as a key stakeholder in the development and envisaged revolution of the agricultural sector, is tasked to deliver undertakings made in the context of the national agriculture-related strategies consistent with its vision, mission and broad objectives.

I am pleased to welcome you to read the annual report of the Tanzania Agricultural Development Bank (TADB). TADB is a state-owned development finance institution (DFI) established under the Companies Act no. 2 of 2002 and given Certificate of Incorporation no. 94075 on 26th September 2011. The bank was established to catalyse the 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 Vision 2025 to achieve food self-sufficiency, food security, economic development and poverty reduction.

TADB, as a key stakeholder in the development and envisaged revolution of the agricultural sector, is tasked to deliver undertakings made in the context of the national agriculture-related strategies consistent with its vision, mission and broad objectives. Primarily, the Bank is engaged in the delivery of finance and related non-finance services and facilities to the agricultural sector in Tanzania, and is licensed under the Banking and Financial Institutions Act, 2006. It is responsible for implementing the Government's Second-Generation Financial Sector Reforms, the national policies and strategies for the development of the agricultural sector.

This annual report details the bank's activities and specific sector interventions during the 2021 financial year. It is worth noting that during the year under review, the government of the United Republic of Tanzania continued to scale up its efforts in promoting food security, including enhancing budgetary allocations to the sector. The priority is to promote agriculture transformation from subsistence to commercialized modern farming and agri-business for economic growth and poverty reduction; and to facilitate development and support transformation of the agriculture sector by providing short, medium- and long-term finance to agriculture projects in Tanzania that promote economic growth, food security and reduction of income poverty.

In preparing this annual report, the Management team consulted widely with both Government and Non-Governmental stakeholders to assess and document the progress of development projects. The team also sought to engage with the direct beneficiaries to ascertain the impact of transformation.

On behalf of the Ministry of Finance and Planning, I appreciate the efforts of the Board of Directors, Management team, staff, partners, and other entities of goodwill, especially the TADB'S partner financial Institutions for their invaluable support throughout the year.

In particular, I acknowledge the technical support provided by the Ministry of Finance and Planning team and the sector regulator - BOT, alongside other experts.

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 Hospital Insurance Fund
NPL	Non-Performing Loan
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
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

About this Report

This Annual Report and Financial Statements have been prepared for the period beginning January 1, 2021, to December 31, 2021 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.

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 practice 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).

Contents

Message from the Chairman

I am pleased to present to you the annual report and audited financial statements for year ended December 31, 2021.

This report details the activities of the Tanzania Agricultural Development Bank (TADB), being the country's premier development finance institution, mandated to champion development of the agriculture sector.

Looking back at the year, I am happy to report that the bank has made tremendous strides in driving impact within the agriculture sector, benefiting from the goodwill from the country's leadership, the commitment of its workforce and the resilience of our farmers. Emerging from a challenging year, the Bank has exhibited positive attributes as evidenced by the improved performance in key indicators.

I take this early opportunity to thank the management team for steering the enterprise in the positive direction, amidst the pandemic turbulence. I also extent my sincere gratitude, on behalf of the Board of Directors, to Her Excellency President Samia Suluhu, for the commitment she has on the agriculture sector and her willingness to support TADB in discharging its mandate to transform the agriculture sector. In the same breadth, I extent my heartfelt thanks to our customers, who continue to work for the good of our country.

A Review of the Operating Environment

During the year 2021, the economy of Tanzania performed well, although reeling from adverse spill over effects of the pandemic on the global economy and supply chains. Nonetheless, the outlook is positive with real GDP growing by 4.1% in 2021, on the back of improved performance of the tourism sector and the reopening of trade corridors.

Inflation remained low and stable, averaging at 3.5% in the quarter ending December 2021 compared to 3.3% in the corresponding quarter in 2020. The marginal adjustment in inflation was driven by an increase in food prices. Food and non-alcoholic beverages inflation reduced to 3.8% in 2021, compared with the 5.8% reported the previous year. The reduction was fanned by the availability of adequate domestic food supply and favourable weather conditions. On the other hand, non-food inflation increased marginally to 3.1% from 2.8% on account of the stability of the exchange rate, subdued oil prices in the world market, and implementation of prudent monetary and fiscal policies.

Extended broad money supply (M3) grew at an annual rate of 15.5% during the year 2021 compared to the 14.9% growth recorded in December 2020. Domestic credit to both the public and private sectors grew by 17.8% which is significantly higher than the 17.8% growth recorded during the year 2020. 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 10.0%, compared to 7.8% in the corresponding period in 2020. The subdued growth of credit to the private sector was partly attributed to the global negative effects of COVID-19 especially on sectors with higher exposure to external shocks like tourism, agriculture (due to exports), and trade.

Interest rates remained low during the year 2021 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 decreased to 6.7% from 6.8% and the 1-year lending rate remained around 16.28% as at December 2021. The interest rate on Government papers also decreased significantly, for instance; the 2-year T-bond rate decreased from 10.08% at the end of 2020 to 9.89% at the end of 2021, and the 10-year bond rate decreased from 1.56% to 11.24% similar to 20-years bond which decreased from 15.39% to 14.75%.

During the year under review, the Bank disbursed loans of TZS 122.3 billion to finance AMCOS, Co-operatives, Small and Medium Enterprises (SME), Companies, Youth and Women projects across the country.

Reflecting on TADB's Impact on the Economy

TADB continues to play its role of bridging the financing gap in the agriculture sector, employing innovative approaches in driving impact. During the 2021 FY, the bank scaled up its efforts in deepening access to financial services for smallholder farmers across the country, and strengthened its value chain financing model for enhanced delivery.

During the year under review, the Bank disbursed loans of TZS 122.3 billion to finance AMCOS, Co-operatives, Small and Medium Enterprises (SME), Companies, Youth and Women projects across the country. The financing focused on three priority areas namely: productivity, post-harvest Management and Enterprise Development.

As you will learn in the later pages of this annual report, TADB has invested in scalable financing models that are designed to address the evolving needs of the modern-day farmer. A good example is the Integrated Value Chain Financing model (IVCF), which focuses on creating impact along the full value chain, from production to markets. TADB uses the IVCF model alongside blended financial instruments to deliver interventions that create sustainable socio-economic impact.

Diversifying Funding Options

Marshalling sufficient resources to drive impact in the sector remains a challenge for the Bank. However, the bank continues to explore alternative funding options, including exploring blended finance to deliver on its mandate.

Emerging from a challenging business environment, the Bank continued to utilize a variety of blended finance interventions, including co-financing arrangements with partner banks, provision of de-risking instruments, matching grant Programmes, interest rate grants and buy-backs, and provision of liquidity to financial actors.

We expect that as the world economy resumes normal operations, development partners will equally resume activity and redirect funds into the sustainability Programmes to the pre-pandemic levels.

Strengthening Partnerships

The bank's recent success has taught us that building meaningful partnerships remains a critical ingredient to successful development finance. This is what continues to inform our strategy, both for funding and service delivery.

During the year, the bank continued to seek strategic partnerships locally and internationally with the aim of creating an ecosystem that supports sustainable growth. Going into the new year, we will continue to explore partnership opportunities within the financial services sector alongside other players in the agri-value chain.

Investing in our People

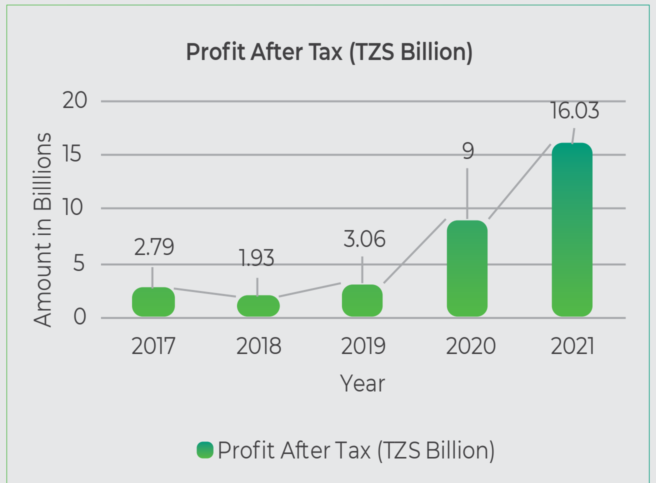
TADB believes that continuous learning and development are vital to ensure all employees have the right skills, knowledge, and ability to increase their efficiency and excellence. During the year, the Bank continued to invest in its people through various blended learning interventions. The aim is to build a competent workforce that is passionate about transforming the agriculture sector, long into the future.

Ishmael Kasekwa
Board Chairman

Highlights of our Performance

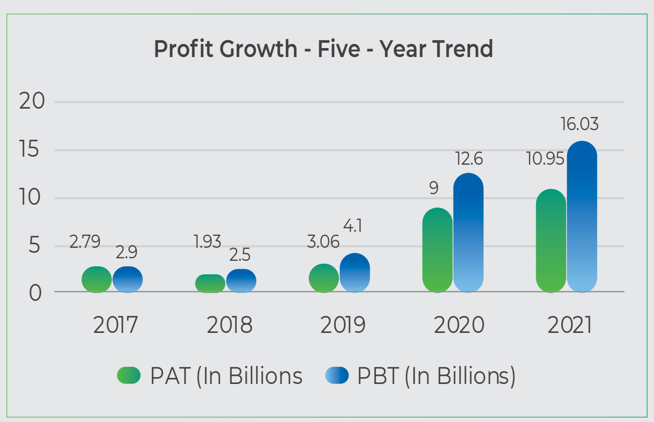
Profitability

The bank posted a 34% growth in Profit Before Tax (PBT) of TZS 16.03 billion, from 2020 TZS 11.88 billion reported in 2020.



	2017	2018	2019	2020	2021
PBT (TZS Bil)	2.9	2.5	4.1	12.6	16.03
PAT (TZS Bil)	2.79	1.93	3.06	9.0	10.95

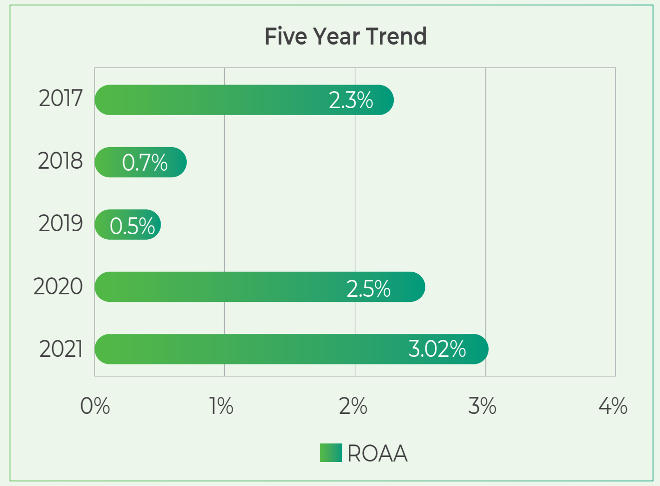
The growth is attributed to an increase in interest income, which was booked at TZS 31.38 billion, an increase of 4.24% from TZS 27.75 billion reported in the previous year.



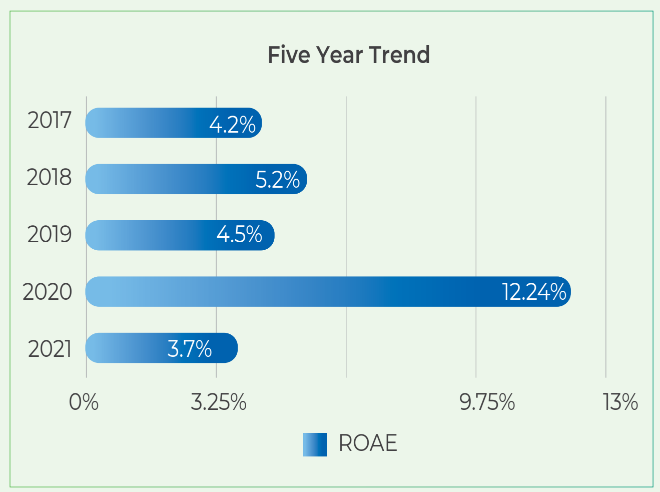
	2017	2018	2019	2020	2021
PBT (TZS Bil)	2.9	2.5	4.1	12.6	16.03
PAT (TZS Bil)	2.79	1.93	3.06	9.0	10.95

Soundness (Key ratios)

Return on Average Assets (ROAA)



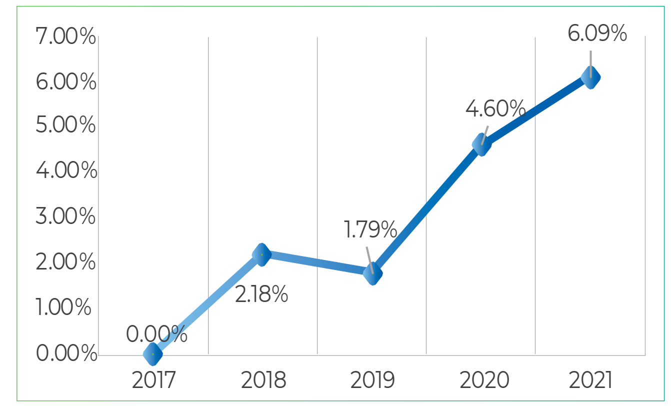
Return on Average Equity



Cost-to-Income Ratio

The cost optimisation initiatives continued to pay off as evidenced by the improvement in the Bank's Cost to Income Ratio (CIR) to 42.07%, from 45% reported in 2020.

NPL Ratio (Five-year Trend)



	2017	2018	2019	2020	2021
ROAA	2.30%	0.70%	0.50%	2.54%	3.02%
ROAE	4.20%	5.20%	4.50%	12.24%	3.70%
Cost to Income ratio	77.0%	80.1%	67.9%	45.0%	42.07%
NPL ratio	0.00%	2.18%	1.79%	4.60%	6.09%

Revenue Performance (Five-Year Review)

	2017	2018	2019	2020	2021
Net Interest Income	11.5	12.4	15.2	26.0	30.0
Total revenue	13.0	15.0	18.0	28.2	31.4

Growth in NII is attributable to the increase in interest earning assets, which accounted for 95% of total assets (mainly loans and advances to customer and short-term investments/placements with banks).

Impact highlights (Financing Interventions)

During the year, the Bank disbursed a total of TZS 339.1 billion in loans to customers to finance 311 projects across the country. Of the 311 projects funded by the Bank, 39 were agro-processing, 125 motorised units, and 21 silos and warehouses.

Company Overview

Chapter **One**

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, it 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 agrixcultural sector.

OUR VISION

To be a world-class model agricultural development bank that supports and promotes Tanzania's agricultural 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 agricultural sector by providing short, medium and long term finance to agricultural projects in Tanzania that promotes economic growth, food security and reduction of income poverty.

OUR CORE VALUES

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

Our Products & Services

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

61.74 TZS Billion guaranteed to Smallholder Farmers Through SCGS

360 Agricultural Loans (in Billions TZS)

318 Strategic Agri Projects Financed

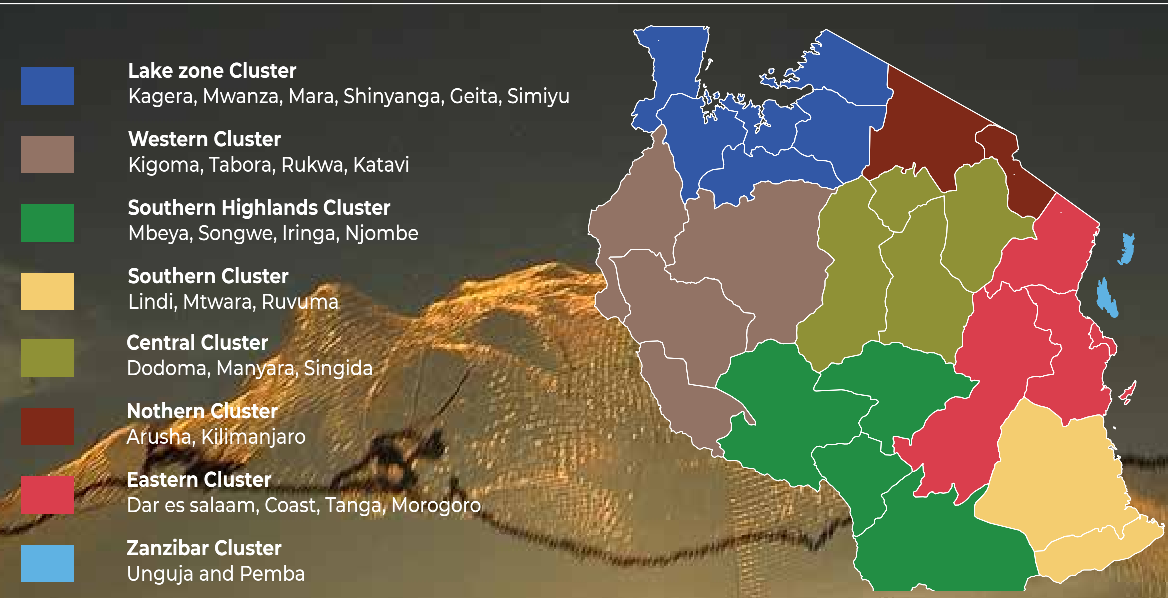
33 Value Chains Financed

Our 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).		5 – 15 years	N/A	N/A	N/A	As per the TADB checklist.

Our Country Presence & Service Channels



HEAD OFFICE
Acacia Estates,
Fourth Floor, Plot No. 84,
Kinondoni Street,
P. O. Box 6337
Dar es Salaam, Tanzania.
Telephone: +255 22 292 35 00
Toll Free Line: 0800 110 120
Email: info@tadb.co.tz

CENTRAL ZONE
PSSSF Dodoma Plaza,
Fifth Floor, Plot 2&4
Near NCC Link
Benjamini Mkapa Street,
P. O. Box 2143
Dodoma, Tanzania.
Tel: +255262963849
Email: dodoma@tadb.co.tz

LAKE ZONE
TBA Building (Formerly,
TRA Offices),
Post Office Road,
P. O. Box 141
Mwanza, Tanzania.
Tel: +255282541763
Email: mwanza@tadb.co.tz

SOUTHERN HIGHLANDS ZONE
NHC Building,
Plot No. 20 Block E,
Jacaranda Street,
P. O. Box 2581
Mbeya, Tanzania.
Tel: +255252503053,
Email: mbeya@tadb.co.tz

EASTERN ZONE
Plot No. 102, Kinondoni Road,
P. O. Box 75835,
Dar es Salaam, Tanzania.
Email: dar@tadb.co.tz

SOUTHERN ZONE
NHC Building,
P. O. Box 331,
Mtwara, Tanzania.
Tel: +255 232935632
Toll Free Line: 0800110120
Email: mtwara@tadb.co.tz

WESTERN ZONE
NHC Building, Plot 199,
Lumumba Avenue
P. O. Box 311,
Kigoma, Tanzania.
Email: kigoma@tadb.co.tz

Milestones

2015

Officially Launched & Received TZS 60 Billion Seed Capital

Launch by H.E. Jakaya Mrisho Kikwete, former President of the United Republic of Tanzania and formulation of the bank's long term strategy.

2016

Commenced Operations Tanzania

Commencement of lending operations and implementation of the capacity building programme for smallholder farmers.

2017

Established Value Chain Financing Approach

Adopted the clustering and value chain financing approach of the smallholder farmers agricultural transformation strategy.

2018

Expanded Banking Operations

Opened three zonal offices – Central Zone, Eastern Zone and Lake Zone. Started implementation of the Smallholder Farmer Credit Guarantee Scheme (SCGS).

2021

Received addional Capital Injection

Received TZS 208 Billion capital injection from the Government of Tanzania.

Our Business Model

Chapter **Two**

Our Value Creation Model

OUR CAPITAL INPUTS

FINANCIAL CAPITAL

TZS 296 Billion
Total Equity

250% up from the previous year (2020)

CAPITAL

- TADB has specialized products, ranging from short-term to long-term financing
- Dynamic Core Banking System

TZS 339.1
Billion
Loans to customers to finance 311 projects across the country.

HUMAN CAPITAL

78 Employees

28% Female

72% Male

MANUFACTURED CAPITAL

6 Regional Offices

SOCIAL AND RELATIONSHIP CAPITAL

- During the year, the Bank continued to work with its various partners to explore opportunities for technical support and expertise in designing of financing and operational models for the projects.
- Similarly, the bank has adopted various internal measures and those given by regulator to reduce risks associated with the effects of COVID-19 to ensure business continuity

NATURAL CAPITAL

- During the year, the bank continued to promote climate resilient agriculture projects through its smart agriculture program.
- The Bank continues to implement agriculture adaptation strategies including promotions of drought-resistant crop varieties, crop diversification, changes in cropping pattern and calendar of planting, soil moisture conservation through appropriate tillage methods, improving irrigation efficiency, and afforestation.

PRODUCTS

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
- Structured Finance
- Seasonal loans
- Policy Papers
- SCGS
- Trade Finance
- Project Finance
- Asset finance

OUTCOMES

ECONOMIC VALUE CREATION

1. **Income and GDP growth -** Contributing to farmers' income, trade and job creation.
2. **Agriculture productivity** - Contributing towards agri-processing and achieving the overall agricultural sector growth.
3. **Value addition** - Helping farmers to add value to their agri-products and services in order to compete in local and international markets.
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

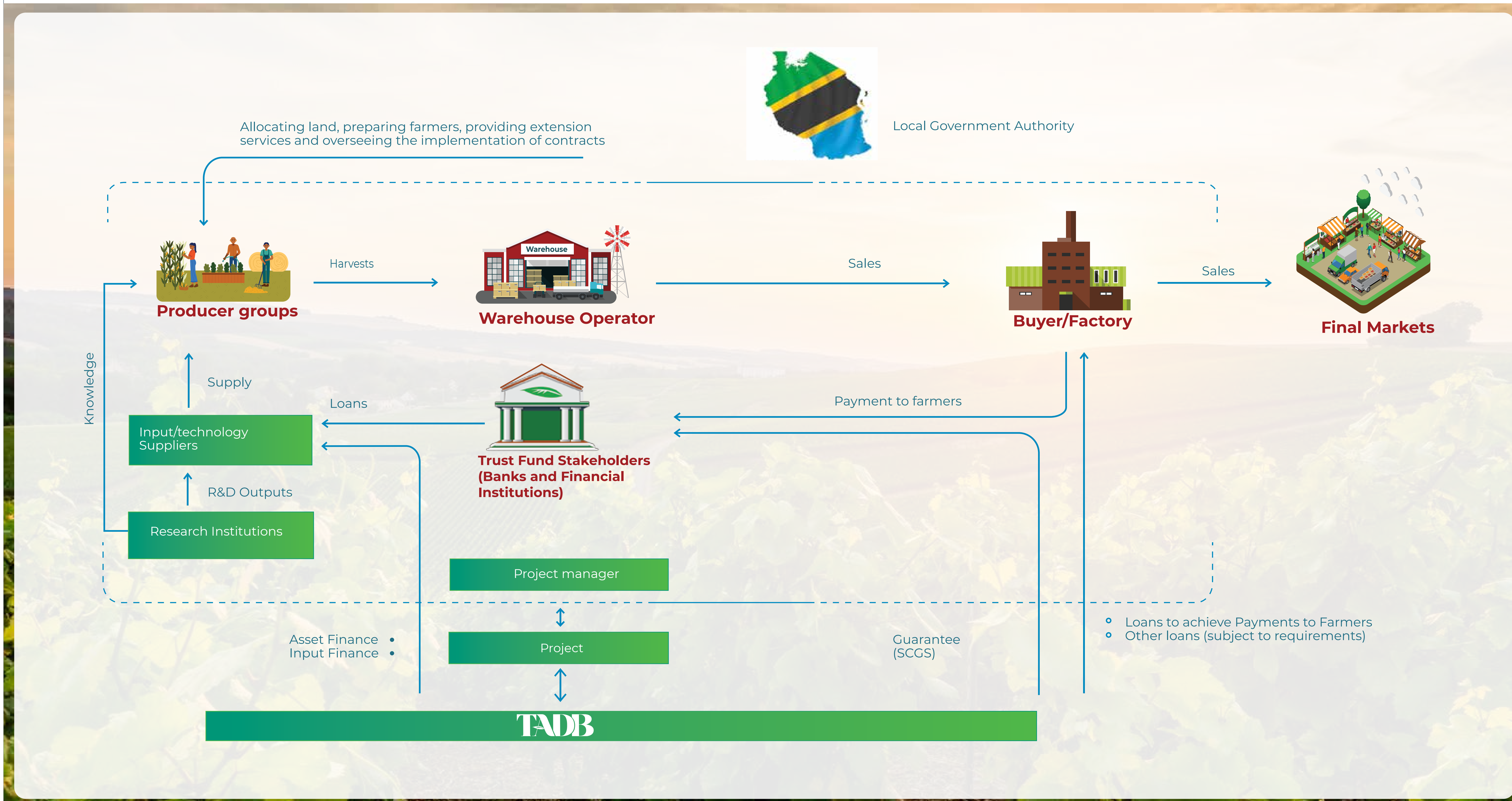
1. **Poverty reduction** - Facilitating the achievement of sustainable food self-sufficiency and food security
2. **Smallholder transformation** - through the mobilization of low-cost sustainable financial resources for affordable agricultural financing and enhancing financial inclusion for subsistence 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

RESULT AREAS

- Value chain development
- Markets creation
- Crowding-in (co-financing and syndications)
- PPP arrangements
- Improvement in the agri-environment

Business Delivery Model:

Integrated Value Chain Financing (IVCF)



Our Capitals

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.

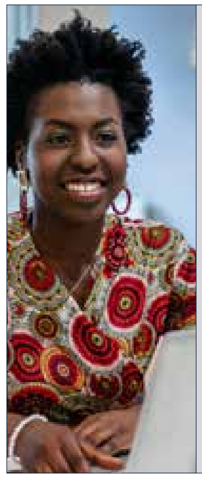
Financial capital includes budgetary allocation from the government, concessionary loans, and third-party funds.

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

- The Bank's equity position as at 31st December 2021 was TZS 294.94billion, equivalent to a 284% increase from TZS 76.72 billion recorded at 31st December 2020;
- The total assets value declined by 4% from TZS376.87 billion as at 31st December 2020 to TZS 360.50 billion recorded at 31st December 2021;

Equity

TZS '000	2020	2021
Share Capital	60,000,000	268,202,304
Retained Earnings	16,261,651	27,209,759
Capital Grant	456,946	252,172
Total Equity	76,718,597	295,664,235

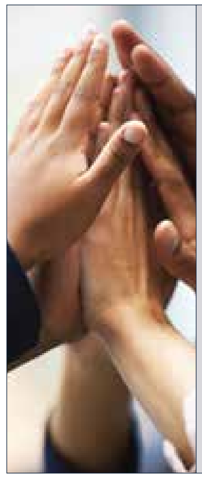


Intellectual Capital

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.

During the year, the Bank scalled its Smallholder Credit Guarantee Scheme (SCGS), disbursing over TZS 12 billion to smallholder famers across the country.

Through the Integrated value chain financing model, the bank disbursed a total of TZS 339.1 billion in loans to customers to finance 311 projects across the country.



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 2021 FY, the Bank had a total of 78 employees.

- TADB is an equal opportunity employer. It embraces diversity and inclusion by bringing together experiences and perspectives arising from different cultures, religions, heritage, age, gender and other characteristics.
- During the year, the Bank had a total of 78 employees.

Gender	2019	2020	%	2021	%
Female	39%	28	35%	22	28%
Male	61%	48	65%	56	72%
Total	100%	76	100%	78	100%

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 offices in 6 zones across the country and branches 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.

During the year, the Bank mainted a total of 6 regional offices with an average 6 employees per zone.

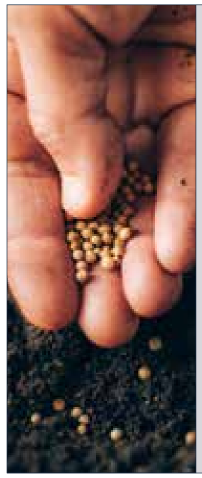
	Zone	Office Location	Staff
1.	Central	PSSSF Dodoma Plaza	5
2	Lake	TBA Building, Mwanza	4
3	Northern Highlands	NHC Building, Mbeya	5
4	Eastern	Plot No. 102	5
5	Southern	NHC Building, Mtwara	5
6	Western	TBC	N/A

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 shape our response to business and societal issues.

During the year, the Bank continued to work with its various partners to explore opportunities for technical support and expertise in designing of financing and operational models for the projects.

Similarly, the bank has adopted various internal measures and those given by regulator to reduce risks associated with the effects of COVID-19 to ensure business continuity



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.

During the year, the bank continued to promote climate resilient agriculture projects through its smart agriculture Programme.

The Bank continues to implement agriculture adaptation strategies including promotions of drought-resistant crop varieties, crop diversification, changes in cropping pattern and calendar of planting, soil moisture conservation through appropriate tillage methods, improving irrigation efficiency, and afforestation.

Strategic Value Unlocks (KPIs)

Integrated Value Chain Financing (IVCF)

TADB's Integrated Value Chain Financing model focuses on creating impact along the full value chain, from production to markets. The model was conceived and adopted as an innovative approach to financing investments and building social capital in agricultural value chains.

VALUE CHAIN/PROJECT	DESCRIPTION	VALUE DRIVER	BENEFICIARIES	ZONE/AREA COVERED	AMOUNT (TZS Billions)
Coffee, Dairy, Beef fattening & Sunflower	Various projects	Productivity	16,982 smallholder farmers across the eastern zone	Eastern	61.6
Sugarcane	Plantation, irrigation infrastructure development	Productivity	Over 3,600 sugar cane out growers	N/A	58.3
Fish	In Ponds Raceways systems - IPRS	Productivity	N/S	Eastern Zone	0.764
	Co-operative society projects	Enterprise Development	N/S	N/S	0.37
Poultry	Expansion, modern poultry equipment, access to quality chicks	Enterprise Development	NS	N/S	0.70
Livestock (Dairy and Beef) of-takers of agricultural commodities	Dairy factory, access to improved breed for dairy cattle, cattle fattening & meat processing plant	Productivity	N/S	N/S	0.61
Mechanization	Modern farming technologies & mechanization	Productivity	N/S	N/S	0.31
	Equipment to support Paddy harvesting & farming	Productivity	10 individual farmers	N/S	0.59
	mechanization and warehouse projects	Productivity	Five (5)MCOS	Simiyu Region	0.61
	Various mechanized equipment	Productivity	11 individual; 240+ smallholder farmers in four districts	Western Zone	N/S
Seed Variety	Seed variety production& multiplication	Productivity	All paddy farmers countrywide	Southern Highlands	0.13
N/S	Loans in form of working capital	Enterprise Development	186,320 smallholder farmers	Lake Zone	0.05
Cashew	Early payment to cashew farmers in Kyela	Enterprise Development	Cashew farmers & AMCOS in Kyela, Mbeya Region	Southern Western Highlands	0.15
Maize	Farm inputs for Maize production	Productivty	Farmers groups in Ruvuma region	Southern Western Highlands	0.58
Beans	Working capital for five AMCOS producing beans through	Enterprise Development	641 small holder farmers	Western zone	0.59
Youth Farming projects	Working capital for various Youth farming projects	Enterprise Development	67 youth (35 female; and 32 male) in Buhigwe district (Kigoma region	Lake Zone	0.59

NS – Not Specified

Strategic Value Unlocks (KPIs)

2021 Strategic Priorities

GENERAL LENDING				
INTERVENTION	**VALUE DRIVER**	**MEASUREMENT**	**ACHIEVED AMOUNT (TZS BIL)**	**MEASUREMENT AGAINST BENCHMARK**
Booking new loans through direct lending	Portfolio growth	New bookings	61.78	71.6%
Credit Guarantees for Smallholder Farmers	Portfolio growth	Disbursements	48.54	97%

PRIORITY AREA 1: POST-HARVEST MANAGEMENT

TADB focuses on supporting investments in facilities of storage for crops and livestock products, facilitating agricultural commodity trade, agro-processing, and investment in the blue economy.

INTERVENTION	VALUE DRIVER	PROJECT	ACHIEVEMENT	ZONES COVERED
Facilitate investments in warehouses, silos and cold chain facilities	Storage and post-harvest management	Warehouses, silos, cold chain facilities	15 storage projects funded directly, 12 storage warehouses, 2 silo projects, 1 cold storage facility, and 30 storage projects (warehouses) funded through SCGS	5
Building capacity of local producers to access export markets for commodities and products	Marketing	Agro-processing and value addition	63 Agro-commodity trade deals were funded directly and 50 trade deals were funded through SCGS	5
Financing investments in Agro-processing facilities and revamping new ones	Productivity/ Market growth	Agricultural exports	23 Agro-processing factories were funded directly, and at least 4 agro-processing factory to be funded through SCGS by December 2021.	8
Facilitating investments in the blue economy	Value addition and post-harvest management	Finding Tanzania Fisheries Corporation (TAFICO) activities	N/A	N/A

PRIORITY AREA 2: INCREASING AGRICULTURAL PRODUCTIVITY

TADB invests in financing purchase of inputs to producers especially smallholder farmers, supporting adoption of mechanization technologies in production and building farmers capacity for irrigation agriculture and adopting climate smart agricultural practices.

INTERVENTION	VALUE DRIVER	PROJECT	ACHIEVEMENT	ZONES COVERED
Increasing access to inputs	Productivity	Seeds, fertilizers, agro-chemicals, etc	**TZS 17.68 Bn.** input loans advanced directly **TZS 20.0 Bn**. Input loans to be advanced through SCGS by December 2021.	6
Facilitating adoption of mechanized technologies	Marketing	Tractors and Combine harvesters	**42** mechanized units funded directly **80** units funded through SCGS.	6
Building capacity for irrigation and Climate Smart Agriculture (CSA)	Market Growth/ Productvity	irrigation projects	**1** irrigation project funded directly; **2** irrigation projects funded through SCGS	1

PRIORITY AREA 3: PROMOTING ENTERPRISE DEVELOPMENT

TADB Bank focuses on developing projects following the Integrated Agricultural Value Chain Financing (IVCF) Model, rolling-out the farmers' e-learning project; and the farmers' profiling project.

INTERVENTION	VALUE DRIVER	PROJECT	ACHIEVEMENT	ZONES COVERED
Developing projects following the Integrated Agricultural Value Chain Financing (IVCF) Mode	Productivity	Sunflower, sisal, horticulture, coffee, sesame, oil palm, grapes, 1wheat, dairy, beef fattening, bee- keeping	36 projects following the IVCF Model developed and funded	6
Rolling-out the farmers' e-learning project	Marketing	E-learning Portal, Core Banking System	The farmers' e-learning project will be implemented following completion of the CBS project.	N/A

Our Materiality

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

1	2	3	4
Identification & determination of our Topics	Analysis of Expectations on our Topics	Analysis of our own Impact on our Topics:	Analysis Results & Validation of Material Issues
Key material matters, industry issues & customer concerns	Regulations, competitors, finance market, NGOs economic environtment	Industry influence, value chain levels, geographic activity	Impact assesment, reporting & key lessons/ way forward

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.

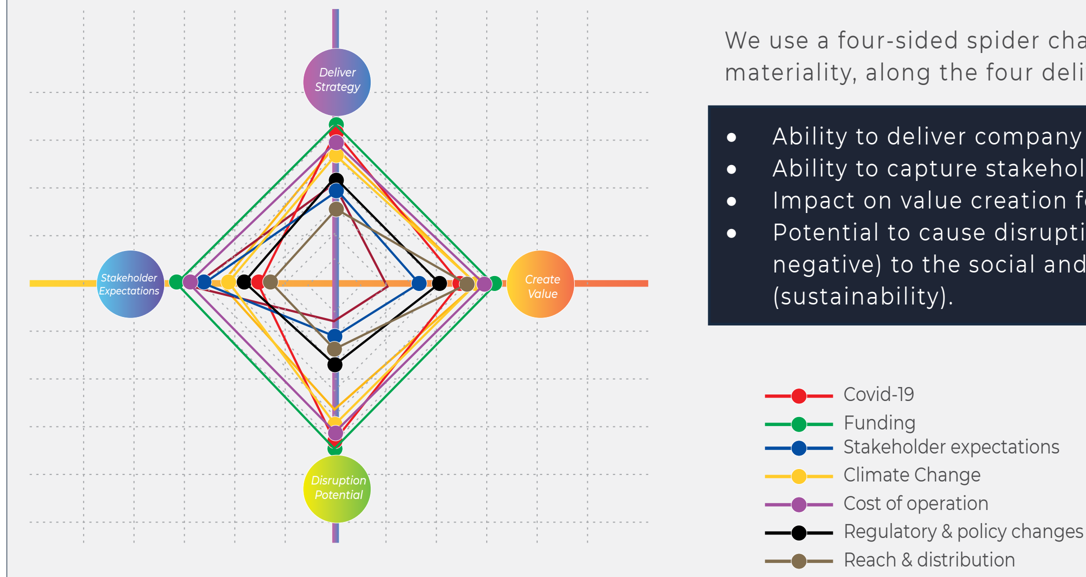
TADB regularly invites stakeholders to engage with and share information about day-to-day operations and endeavours to ensure transparency in our business. Most importantly, we conduct our business in strict adherence to the laws of the land.

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 2021

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.

The Value we Created in 2021

Growing the Community Through Sustainable Business

Impact

Our Core Mandate

To support the Government of Tanzania shape and implement policies and initiatives for agricultural and rural lending.

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 favor 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/Lonagro product
- 17 irrigation schemes funded

Promoting Social Capital Development

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

To Shareholdres

TZS 14.2 Billion

TADB is a state corporation with the Government as its main shareholder. This, therefore, requires that the bank remains profitable and accounts for its activities within the laws and frameworks governing state corporations. The expectation from the establishing statutes requires the bank to grow its shareholder value sustainably. During the 2021 FY, the bank's shareholding value was booked at TZS 14.2 billion (from TZS 13.3 billion in 2020).

To Government

TZS 10.8 Billion

The bank conducts its business within the confines of the established laws and the guidelines of business corporations. To this end, the Bank pays all taxes including skills & development levy in accordance with the country's taxation laws. During the. Year, the bank paid a total of TZS 10.8 billion in taxes.

To Expansion and Growth

TZS 400 Million

To drive impact across the country, TADB apportions part of its income and earnings to expansion and growth. During the year, the bank apportioned more than TZS 400 million to grow its business through strategic initiatives such as opening new zonal offices.

Category	2021	2020
	TZS '000	TZS '000
Income earned from financial services	31,382,213	27,754,673
Cost incurred in provision of services	(1,530,262)	(1,851,504)
Value added from financial services	29,851,951	25,903,169
Non operating income	2,489,844	2,236,318
Other operating expenditure	(3,580,273)	(2,946,828)
Value - added	**28,761,522**	25,192,659

Our Sustainability Perspective

In all of its credit offerings, TADB Bank is dedicated to fostering sustainable development. For us, obtaining targeted results and adhering to our long-term growth strategy need a commitment to environmental and social sustainability. Our credit policy prioritizes initiatives that support social and environmental sustainability.

The Bank invests in ventures and initiatives that have a defined plan for properly managing social and environmental resources. We also adopt best practices from throughout the world.
With a steadfast commitment to tackling climate change, we want to lead the way in the area for sustainability. By influencing people's lives, our social investment strategy seeks to develop enablers of social transformation.

Environmental & Social Safeguards

TADB recognizes that sustainable development is dependent upon a positive interaction between economic growth, social uplifting, and environmental protection. As a responsible corporate citizen, 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 Bank minimizes its impact through the better use of its premises and inbuilt facilities to ensure that there is proper waste management.

To ensure effective environmental and social management, the TADB Bank has a set of actions policy and procedures that are implemented concurrently with our other operational and existing risk management procedures. We developed a range of products that are aligned to the SDGs goals on Climate Action. In the coming years, the bank is working on developing a comprehensive ESG (Environmental & Social Safeguards) framework that will guide its wider conduct.

As the country's premier Development Finance Institution (DFI), TADB ensures proper Environmental and Social Impact Assessment (ESIA) is conducted for all projects financed by us.

Sustainable Project Management

At TADB, projects and businesses that manage their social and Environmental impacts responsibly rank highly in the creditworthiness during our loan appraisals. We independently conduct environmental and Social Impact Assessment (ESIA) based on the Tanzanian Environmental Management Act of 2004 and its EIA & Audit regulations of 2005 (and its revised EIA and Audit-amend Regulation, 2018). Further assessment is done following adopted international best practices, particularly IFC 8 Performance Standards to assess and manage environmental and social impacts.

Gender Mainstreaming

TADB is an equal opportunity employer, we have various initiatives for gender consideration and empowerment. The Bank 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 without regard to factors like gender, marital status, tribe, religion, and disability which do not impair the ability to discharge duties.

We have embraced diversity and inclusion by bringing together experiences and perspectives arising from different cultures, religions, heritage, age, gender and other characteristics. Employee distribution by gender as 31st December 2021.

Gender	2020	%	2021	%
Female	28	35%	22	28%
Male	48	65%	56	72%
Total	76	100%	78	100%

Similarly, we have a strong health and safety policy, 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.

Grievance Redress Mechanisms (GRMs)

With the benefit of hindsight, we know that in the course of implementing a project, there are likelihoods for conflict, especially social ones. TADB has adopted the Grievance Redress Mechanism (GRM), which ensures smooth handling of all environmental and social complaints that may occur during project implementation of projects.

We continue to improve complaints register and case management systems to maximize transparency and accessibility of complaints from vulnerable communities and project's affected parties.

Health, Security & Social responsibilities

TADB aims to be a sustainability leader in the area in addition to being a pioneer in agriculture financing. Through Corporate Social Investment (CSI) activities that are in line with the Sustainable Development Goals, we are dedicated to social protection and combating climate change (SGDs).

We have a strong Corporate Security and Business Continuity Management (BCMs) department that manages all internal security, occupational health and safety throughout daily operations, and continuity mechanisms during any disruptions for the Bank.

TADB offers life and health insurance to its employees, their dependents, and the general public. We also handle all issues pertaining to information on human health, such as wellness initiatives for cancer, pandemics, HIV, and encouraging active lives.

Through a variety of initiatives, including funding for food security, access to clean and safe water, and WASH Programmes, we demonstrate our commitment to safeguarding our clients and vulnerable communities from the negative effects of climate change. In order to educate the community and the workforce about sustainable practices, we also run awareness initiatives.

Business Review

Chapter **Three**

Managing Director's Statement

The business environment is evolving at a rapid pace, exacerbated by global disruptions such as technology and global pandemics.

The COVID-19 crisis, which ensued in 2020 and lingered on throughout 2021, has brought into focus the need for enterprises to build resilient models to withstand significant disruptions.

For TADB, the 2021 year presented renewed opportunities for the bank to relook at our funding model and optimize solutions to respond to the evolving needs of our customers. Specifically, we reviewed our resource mobilisation strategy and expanded our engagements with our stakeholders to best understand the material issues that the bank must address in the face of the ever-increasing challenges and competing interests.

Looking back at the year, I am excited to note that the strategic interventions implemented have yielded positive results, strengthening our brand as a progressive development finance institution in the region. During the year, the bank made significant progress in executing its mandate to transform the agriculture sector by bridging the financing gap and in playing its advisory role on matters of agriculture. The bank also registered positive performance with growth in key indicators, signalling rebounded business.

A Review of the Bank's Performance

When we started the year, we had clear goals to drive the growth of our portfolio while maintaining a healthy loan book. This was particularly important considering the challenges that the pandemic posed to various sectors along the agriculture value chain. The strategy paid off with the bank being able to maintain a quality portfolio and registering sound growth.

During the year, the bank posted a 34% growth in Profit Before Tax (PBT) of TZS 16.03 billion, from 2020 TZS 11.88 billion reported in 2020. The growth is attributed to an increase in interest income, which was booked at TZS 31.38 billion, an increase of 4.24% from TZS 27.75 billion reported in the previous year. We continue to implement strategies to optimize performance, leveraging innovation and strategic partnerships.

Facilitating Growth of the Agriculture Sector

Cumulatively, the Bank disbursed a total of TZS 339.1 billion in loans to customers to finance 311 projects across the country. Of the 311 projects funded by the Bank, 39 were agro-processing, 125 motorised units, and 21 silos and warehouses.

TADB continues to discharge its mandate, focusing on deepening access to finance across the country through its direct lending portfolio.

Similarly, the Bank apportioned significant resources towards supporting the government efforts in curbing post-harvest losses, especially for the smallholder farmers, which account for up to 40% of the agricultural produce annually.

Strengthening the Smallholder Credit Guarantee Scheme (SCGS)

The success of the SCGS Programme continues to provide the much-needed impetus for financial deepening in the country. Going into the new year, we the bank will focus on developing partner financial institutions to provide tailored solutions for smallholder farmers through a proprietary training Programme. The Programme has been christened 'the SCGS Agri-Finance Training Programme', and will be undertaken in partnership with the Bank of Tanzania (BOT) Academy and the Sokoine University of Agriculture. The bank will also endeavour to increase access to financing through a unique product offering, especially targeting women and youth smallholder farmers; with envisaged revisions to guarantee cover from 50% to up to 70%. Additionally, we plan to enhance the SCGS fund through an AFD financing package expected to materialise in 2022.

TZS 339.1 Bn Cummulative Loans Disbursed	Projects Financed 311	Agro-Processing Factories Financed 39	Mechanization 125 Units	Silos and Warehouses 21

Smallholder Credit Guarantee Scheme (SCGS)

61.74 Billion	Value of Loans to Smallholders Supported
3,425	Small-holder Farmers

Expanding the Integrated Value Chain Financing Programme

TADB's Integrated Value Chain Financing (IVCF) model focuses on creating impact along the full value chain, from production to markets.

Integrated Value Chain Financing Model (IVCF) Model;

The model was conceived and adopted as an innovative approach to financing investments and building 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 chain players, enabling institutions and other relevant partners, to take advantage of their varying experiences and expertise to deliver sustainable agricultural sector growth and transformation.

During the year under review, the bank made significant gains in expanding the Programme, with a focus on specific value chains. The bank endeavoured to drive impact through three key value chains – maize, beans and cashew.

To promote enterprise development, the Bank financed 17 projects under the IVCF, against an annual target of 20. The Bank also increased agri-lending to TZS 162 billion by December 2021.

Value Chain	Zone/ District	Purpose	Amount
Cashew	Kyela, Mbeya	Early payment to cashew farmers in Kyela	TZS 150 million
Maize (In collaboration with RUDI)	Ruvuma	Farm inputs	TZS 584 million
Beans	Western zone, Kigoma	Beans Production	TZS 595.6 million
Youth Projects	Buhigwe District, Kigoma	Capital investments for Various group projects	TZS 182 million

Improving Post-Harvest Management

During the year under review, the bank focused on funding commodity trading and supporting the construction of warehouses and silos and the purchase of cold storage facilities to curb post-harvest challenges by farmers. The Bank achieved 50% of the targeted Key Performance Indicator (KPI), as of 31st December 2021, in financing post-harvest management facilities. Going into 2022, the Bank will focus on extending post-harvest management financing across different zones in Tanzania to promote financial inclusion and the implementation of the newly designed credit facility (Warehouse Receipt Financing) to enhance stock financing for different chains.

Building Organisational Resilience

Coming from the crisis period, the Bank invested resources in building resilient models and understanding the fluidity of the market and the evolving needs of its customers. To this end, we continued to innovate new products and sustained technology integration. Our priority is to equip our people with the necessary knowledge and skills to navigate challenges and develop solutions that respond to the needs of our customers.

In terms of service delivery, we will continue to invest in training, capacity building as well as re-tooling of our employees to ensure that they can render the best-in-class service to our customers. The new Core Banking System (CBS) will also provide a better platform of service and enable us to build a better experience for our customers.

Funding

Over the course of the year, the Bank sustained its efforts to solicit funds from various sources in line with its funding strategy. By the end of the fourth quarter, the bank had initiated discussions with different development partners for solicitation of funds for different purposes as follows:

	Partnership	Amount
1	Agence Française de Développement (AFD)	80 million Euros
2	Bill & Melinda Gate Foundation (BMGF)	7 million USD
3	African Legal Support Facility (ALSF)	100,000 USD
4	Farm Africa	800,000 EURO
5	Climate Reform Facility (ICR)	Technical Assistance (TA)
6	United Nations Development Programme (UNDP)	950,000 USD
7	SOLIDARIDAD	101,000 Euro
8	AGRA	200,000 USD

Acknowledgements

In times of adversity, the greatest pillar of strength is those who stand by you. I am humbled to note that despite the uncertainties of 2021, we were able to navigate the challenges presented to us, courtesy of the commitment of our people, the support of our stakeholders and partners, and the trust of our customers. TADB is greatly indebted to all those who stood by it during the year, knowing that it's through the various forms of support, that the bank can report the successes detailed in this annual report. A heartfelt thank you!

Looking Ahead

The 2022 financial year portends great prospects for TADB. Building on the successes we have had as a development finance institution; the Bank will endeavour to accelerate its strategic interventions and create stronger linkages for both funding and distribution.

We remain keen on strengthening our resource mobilisation engines and scaling our impact initiatives to further our goals in the different sub-sectors for posterity.

Importantly, we will continue to invest resources in research and development to gain a deeper understanding of the dynamics in development finance and agriculture transformation.

To drive efficiency, we will continue integrating technology in our operations to achieve more efficient distribution and administration, in line with our medium-term strategy. A critical consideration in the 2022 financial year will be to streamline our credit processes and improve our risk frameworks.

Frank Nyabundege
Managing Director

Statement from the Director of Finance

The 2021 Financial year presented a set of new opportunities for the Tanzania Agricultural Development Bank (TADB) to consolidate its business, building on the successes of 2020.

In retrospect, the aftershocks of the pandemic persisted for the better part of the year, prompting adaptive approaches to sustain growth.

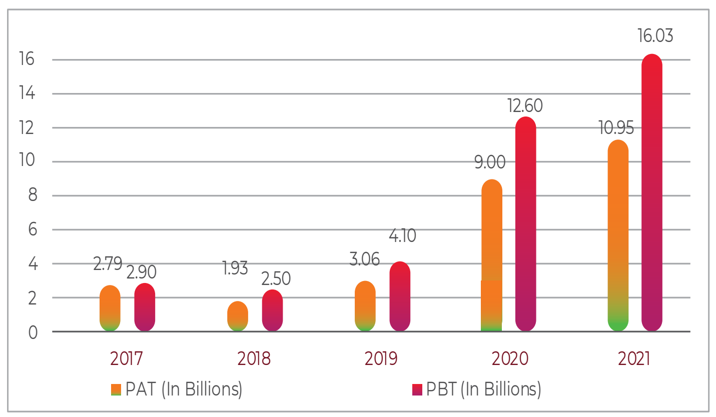
Profitability

Despite the lingering challenges, the bank recorded improved performance in key indicators, underlined by growth in income lines. During the year, the Bank recorded a 34% growth in Profit Before Tax (PBT) to TZS 16.03 billion, from 2020 TZS 11.88 billion reported in 2020. The increase in profit was attributed to the growth in interest income, which increased by 4.24% to TZS 31.38 billion from TZS 27.75 billion reported in 2020. The improved incomes are a result of the corresponding growth in interest income from interest-earning assets.

Cost of Operations

TADB understands that to achieve its full potential as the country's premier Development Finance Institution (DFI), the bank must endeavour to optimize every resource available to it, for sustained growth, and the eventual transformation of the agriculture sector. Coming from a challenging year, the bank remained steadfast in reforming its spending culture to drive value for money. Specifically, the bank implemented a raft of measures including cost optimisation in line with its medium-term strategy.

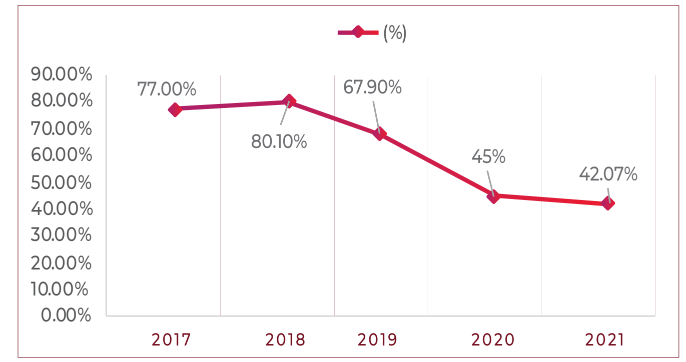
Profit Growth - 5-Year Trend



Key Ratios

	2017	2018	2019	2020	2021
ROAA	2.30%	0.70%	0.50%	2.54%	3.02%
ROAE	4.20%	5.20%	4.50%	12.24%	3.70%
Cost to Income ratio	77.0%	80.1%	67.9%	45.0%	42.07%
NPL ratio	0.00%	2.18%	1.79%	4.60%	6.09%
PBT TZS Billion	2.9	2.5	4.1	12.6	TZS 16.03 billion
PAT TZS Billion	2.79	1.93	3.06	9.0	TZS 10.95 billion

Cost-to-inceome Ratio (% Trend)



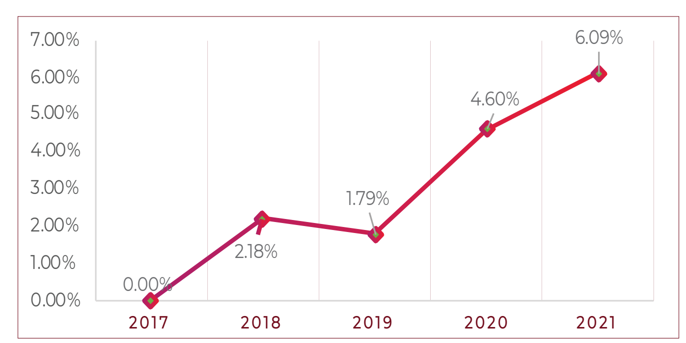
During the year under review, the bank implemented cost containment measures and enhanced employee productivity, which resulted in an impressive financial performance that saw the bank's PBT cross the TZS 14 billion mark in 2021. The cost optimisation initiatives paid off as evidenced by the improvement in the Bank's Cost to Income Ratio (CIR) to 42.07%, from 45% reported in 2020.

The improvement in the cost-to-income ratio reflects TADB's concerted efforts to effectively manage costs and ensure adequate profit margins. During the year, the bank's operating expenses increased by 21% year-on-year while personnel expenses increased by 3%.

Asset Quality

The Bank's top objective in light of the uncertainties around COVID-19 was to keep a robust loan book. During the year under review, we endeavoured to sustain our strategic portfolios management initiatives such as portfolio diversification, de-risking, and portfolio guarantees through strategic partners. However, success was attained by a solid NPL containment approach that prioritized delinquency management, as well as careful observation of reconstructed facilities.

NPL Trend over the Past Five Years



Our strategy in delinquency management was bolstered by our decision to work closely with our customers, whose business activities were impacted by the pandemic. courtesy of the proactive approach, the bank's, NPL ratio closed at 6.09%, a marginal increase from 4.60% reported in 2020.

The increase, although not significant, is well below the industry average but slightly above the regulatory cap of 5%. We will continue to implement initiatives aimed at safeguarding the portfolio, leveraging technology and reforms in the credit processes.

Capital Position

To be able to effectively discharge its mandate, TADB needs to be adequately capitalized throughout the seasons. The bank has put in place a robust funding strategy that explores blended finance options, in addition to the traditional sources such as budgetary allocation from the government, and donor support.

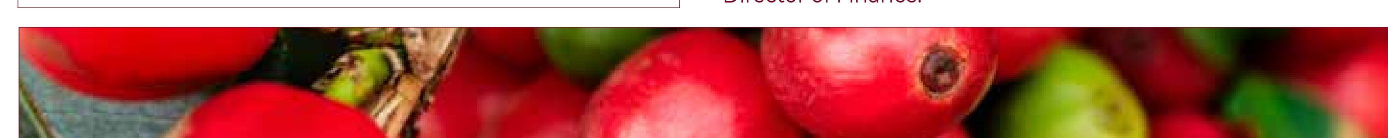
During the year under review, the Bank remained adequately capitalised maintaining the core capital at 150.28%, from 37.16% in 2020. We will continue to implement de-risking strategies, including engaging strategic partners, especially development partners for portfolio guarantees.

Performance indicator	2020	2021
Tier 1 Capital	37.16%	150.28%
Tier 1+Tier 2 Capital	37.16%	150.28%

Looking Ahead

Going forward, the Bank will continue with this strategy. With the rollout of the Core banking system, TADB will save more on costs that were previously being paid for outsourced services/systems. The bank's overall performance continues to improve, with better prospects in 2022 and going forward.

Dr. Kaanaeli G. Nnko
Director of Finance.



Performance Review

Chapter **Four**

Credit & Business Report

Afia Sigge
Ag. Director of
Credit & Business

Adapting to the shifting landscape to deepen access

In the aftermath of the COVID-19 pandemic, the focus for many financial institutions shifted to building resilient business models that can withstand disruptions.

Lending institutions, in particular, began implementing reforms in their credit administration, especially monitoring and delinquency management.

For TADB, the 2021 FY accelerated the push towards technology integration in our credit processes and forging closer relationships with customers to best understand their respective unique situations. The strategy returned good tidings, enabling the bank to maintain a healthy portfolio, despite the residual impact of the COVID-19 disruptions on the global supply chains.

When we began the year, we had the ambition to increase lending through Partner Finance Institutions (PFI). This was motivated as a strategy to grow the Bank's portfolio and accelerate the funding to grow the agriculture sector in line with the Bank's established mandate.

During the year under review, TADB performed well against the set targets surpassing the annual target of TZS108 billion. Similarly, the bank made significant strides in expanding partnerships with local financial institutions, including banks and Microfinance establishments.

Summary of 2021 Lending Activity

Ambition	TARGET (TZS Billions)	ACHIEVED AMOUNT (TZS BILLIONS)
Growth Portfolio through direct lending	108.0	61.78
Credit Guarantees for Smallholder Farmers	50.0	48.54

Growing the Portfolio

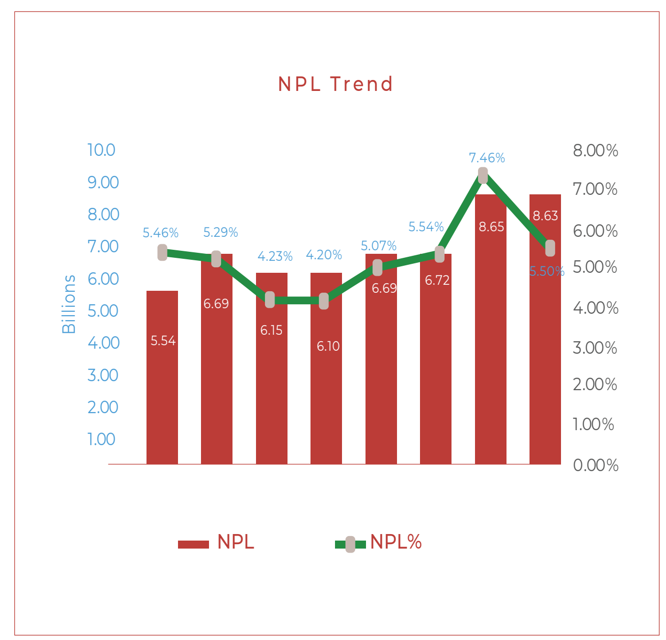
During the year under review, the Bank continued to grow its portfolio, focusing on strategic value chains clustered in four ecosystem components - agro-processing, production, aggregation, and distribution- in line with the medium-term strategy.

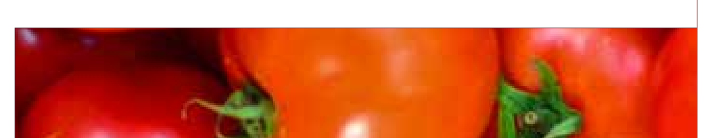
Agro-processing received the most significant chunk of the Bank's financing at TZS 241.8 billion, followed by production, which received TZS 58.7 billion. The Bank's support for aggregation amounted to TZS 42.2 billion, while distribution accounted for 11.4 billion.

Focusing on Strategic Sub-Sectors

Building on the successes of the year before, the Bank continued to fund strategic sections, using the performance of each crop to boost yields and improve management after harvest. During the financial year, key sub-sectors that got much attention were industrial commodities, cereals, livestock, horticulture, and oil seeds.

Along with dairy and beef value chains, the Bank also paid much attention to coffee, sugarcane, cotton, cashew, maize, paddy, and cloves as strategic cash crops that got the most funding during the year. Coffee received the highest financing at TZS 130.6 billion, mainly through the funding of coffee unions for purchasing raw coffee from 124,000 farmers for processing to parchment coffee.





Key Milestones

- Enhancing Recovery on Bad Loans - The Bank's priority was to ensure effective portfolio management while optimizing revenue streams to ensure sustainability. During the year, the Bank finalized the procurement of a debt collection agent to augment recovery efforts and enhance delinquent management. The recovery efforts paid off with a total of TZS 265.42 million collected regarding non-performing assets and insurance compensation.

- Improving Post-harvest Management

In line with the Bank's strategy on post-harvest management, the Bank secured 43 trade deals to fund commodity trading, surpassing the year's target of 28. Also, the Bank paid for building 8 storage warehouses, which exceeded its annual goal of 6.

- Accelerating Farm Mechanisation

TADB continued to increase mechanization, making significant progress during the year under review. The Bank directly funded 61 mechanized units valued at more than TZS 28 billion, comprising assorted farm machinery, combine harvesters, and tractors.

Looking Ahead

Going into 2022, the Bank will focus on rolling out enhanced propositions targeting key value chains. The propositions will include:

- Agro-commodity financing,
- Expansion of asset financing solutions,
- Increase input financing,
- The rollout of block farming financing,
- Enrolment of distributor financing, and
- The introduction of lease and trade financing,
- Adoption of mechanized technologies,
- Financing adoption of mechanized technologies.

To maintain a healthy loan book, the Bank will continue to implement portfolio diversification, for example, through onboarding commercially rich sectors.

To drive performance, the Bank will continue to automate the credit processes alongside other initiatives aimed at enhancing efficiency. The Bank will also endeavor to strengthen its human resources, especially in Credit Risk management.

To spur innovation, we will extend partnership programs to various stakeholders to enhance business extension and effective relationship management.

Regarding value chains and funding ecosystems, the Bank will focus on sunflower, wheat, coffee and beef production, tea development, cashew processing, and fisheries.

Smallholder Credit Guarantee Scheme (SCGS)

Asha Tarimo
Agency Fund Manager

Empowering Smallholder Farmers

TADB continues to play its role in transforming the agriculture sector, focusing on smallholder farmers and strategic value chains.

The Bank has a strategy to deepen impact to the smallholder farmers, leveraging strategic partnerships, and transformative Programmes. The SCGS, continues to yield positive results with successes reported in all facets of its implementation.

Summary of the Smallholder Credit Guarantee Scheme (SCGS)

- Fund Size: USD 25 million (USD 25 million (USD 23.6 million as guarantee funds and USD 1.4 million as TA funding).
- Fund Inception Date: 3rd November 2017
- Cumulative Number of Beneficiaries Supported: 11,987 (19% of these are female beneficiaries)
- Cumulative Value of Loans Supported: TZS 125 billion
- Proposed Enhancement: Euro 20 million (circa USD 22.9 million) (agreements signed in 2022)

Understanding SCGS

In efforts to attain the overall goal of reducing poverty and enhancing the incomes of the rural people, and securing food security on a sustainable basis, the Ministry of Finance and Planning (MOFP) signed a Financing Agreement with IFAD in February 2011 to support the implementation of the Marketing, Infrastructure, Value Addition and Rural Financing (MIVARF) Programme under Prime Minister's Office (PMO) of the Government of Tanzania.

The total value of the MIVARF Programme was USD 169 million and had multiple components, including Marketing Infrastructure and Systems, Rural Finance Solutions and Programme Management and Co-ordination. The implementation of the Rural Finance component of the MIVARF Programme called for the establishment of a guarantee fund (the Smallholder Credit Guarantee Fund) to support smallholder farmers and SMEs with robsust linkages to smallholder farmers to access financial services from the banking sector to support poverty reduction, increase primary production and improve rural livelihoods through the issuance of credit guarantees.

As the national apex bank for Agriculture, TADB was appointed as the Administrator to manage the guarantee scheme on behalf of

the Government through a tripartite agreement signed between the Ministry of Finance and Planning, the Prime Minister's Office, and TADB dated 3rd November 2017, SCGS was launched in February 2018. The initial agreement term was 3 years and ended in November 2020 (per the ending of the MIVARF Programme), and due to the fund's success, the agreement was extended (without time limits) in December 2020.

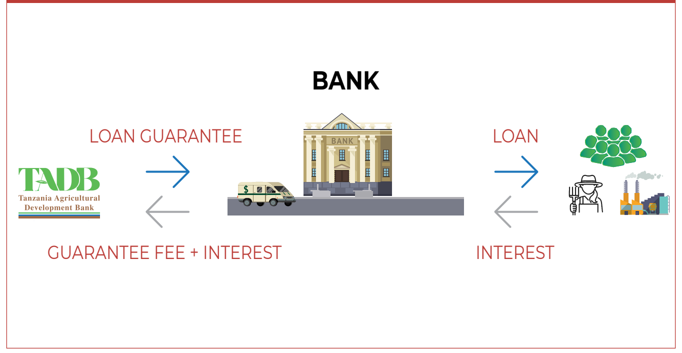
Under the tripartite agreement and its addendum, TADB has been designated as the fund administrator for the USD 25 million funds (comprising USD 23.6 million guarantee funding and USD 1.4 million as technical assistance funding) while the Ministry of Finance and Planning serves as the funding partner and the Prime Minister's Office (PMO) serves as the implementing and monitoring agency of the fund.

The main objective of the SCGS is to catalyze financial sector lending to the agriculture sector, especially to smallholder farmers in rural areas. SCGS aims to transform smallholder farmers from subsistence farming to commercial farming by encouraging the adoption of modern technology/techniques, which ultimately create employment and promote food security.

SCGS Operating Model

SCGS works by providing guarantees to Partner Financial Institutions to support lending to the agriculture sector. The SCGS instrument provides up to 50% guarantee cover in the form of cash cover or paper guarantees to de-risk and enhance the collateral of Agriculture loans to smallholder farmers and SMEs linked to farmers under the scheme.

SCGS Operating Model



Success and Impact of SCGS in 2021

The Smallholder Credit Guarantee Scheme (SCGS) has been very successful in its operations and is one of the leading guarantee schemes in Tanzania supporting agriculture finance. The scheme prides itself in being the only guarantee fund that has smallholder farmers at its heart with guarantee activities only being supported if they reflect impact to smallholder farmers directly at the farm level or indirectly by creating market access opportunities.

- As at 31st December 2021, the scheme has signed agreements with **13 partner financial institutions** (being 7 commercial banks, 5 community banks and 1 microfinance institution) as follows; CRDB, NMB, TPB, Stanbic, NBC, Azania Bank, Absa, TACOBA, MUCOBA, Maendeleo Commercial Bank, Uchumi Commercial Bank, Kilimanjaro Co-operative Bank and Finca Micro Finance Bank.
- Total Value of Loans Supported under the SCGS: **TZS 61.74 billion.**
- Total Number of Direct Beneficiaries Supported: **3,660.** The beneficiaries comprised of **3,425 smallholder farmers, 156 MSMEs, 16 farmer groups, 61 AMCOs and 2 Unions.** The scheme has also had a positive impact in supporting women smallholder farmers and entrepreneurs with **2,317 of the direct beneficiaries (i.e., 21% of all beneficiaries) supported being female.**
- Geographical distribution of supported loans: **26 regions across Tanzania and Zanzibar Islands**
- Number of Value Chains Supported: **33 value chains**
- Distribution of loans supported by the SCGS by strategic intervention: **29.16% - Production activities** (these are loans supporting improved seeds, fertilizer, pesticides and mechanization technologies for farmers) **42.38% Agri-Processing activities, 25.55% Agri-Trading activities** (both these activities support the development of markets for our farmers production and value addition activities in agriculture) and, **0.81% Packaging and Storage Solutions** (these activities support the reduction of post-harvest losses and protect the value of farmers production).

Championing for Affordable Credit

In 2020, TADB started using the SCGS instrument as a tool to lower interest rates for smallholder farmers by requiring all PFIs that access cash cover guarantees to price the loans to be guaranteed at interest rates of 16% or below.

The intervention has been successful in supporting lower interest rates, particularly for farmers who have been bearing the burden of high-interest rates due to the higher risk perception – interest rates have come down drastically from the ranges of up to 30% in prior years to a maximum interest rate of 16% after the SCGS intervention.

TADB continues to push for lower interest rates, particularly for smallholder farmers and envisions a future where smallholder farmers access loans at single-digit interest rates.

Planning, Research & Policy Report

Mzee Kilele
Director of Planning,
Research & Policy

Pursuing Sustainability Through Policy Reforms

Agriculture continues to portend good prospects for the African continent, given its natural endowments and the growing interest and investments in the sector.

In the wake of the COVID-19 pandemic - and the challenges that ensued after - policymakers and investors alike are calling for increased investment in the sector because of its ability to create sustainable value.

TADB, together with its partners, continue to invest in research and development, with the view of developing funding mechanisms to drive productivity, mechanization, and enterprise development.

Building on the successes reported in 2020, the Bank continued to explore innovative approaches to drive the growth of the agriculture sector in line with the country's medium-term development plans toward achieving a middle-income economy status. As such, the Bank prepared and submitted policy briefs, investment, and funding proposals, in addition to making various recommendations to the government.

Updates on Policy Briefs

During the previous year, the Bank had submitted three policy briefs in respect of three value chains namely: wheat, coffee, and cotton. The Policy brief on the wheat sub-sector (dubbed opportunities for import substitution in the wheat sub-sector) proposed a set of policy interventions by the Government of Tanzania to facilitate the effective implementation of the wheat import substitution strategy to be spearheaded by TADB and its partners.

The brief on the Coffee sub-sector sought to safeguard Tanzania's coffee exports; in the wake of the anticipated effects of the 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.

For the cotton sub-sector, the Bank mooted an idea to revive cooperative unions, to accelerate the industrialization of the cotton sub-sector; The paper proposed the adoption of a farmer centered approach to the industrialisation of the cotton sub-sector. During the year under review, discussions around the three propositions continued with various stakeholder engagement activities conducted fast-track adoption and implementation.

Similar engagements were made during the year for the proposals on the revival of cotton guinneries; facilitating investments in cooperative unions' cotton/edible oil milling; and investment in strategic warehouse facilities. The Bank was also keen on establishing an efficient and transparent marketing system for cotton through the Tanzania Mercantile Exchange (TMX).

The proposal to establish a Price Deficiency Payment Scheme (PDPS) to compensate farmers against losses that would otherwise be incurred if wholesale market prices for agricultural commodities fall below the declared Minimum Support Price (MSP) was also entertained within government circles.

Equally, there was good traction on the recommendations to consolidate economic empowerment funds. TADB's recommendation focused on the adoption of an Enterprise Development Fund (EDF) framework, as a specialized agency that 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).

We expect that in the coming days, there will be deliberations on the cashew proposal for 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. TADB has offered a set of policy recommendations for improving the business environment around the cashew sub-sector.

We will also employ efforts in the exploration of opportunities in the edible oils sub-sector, in line with the recommendations to promote 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.

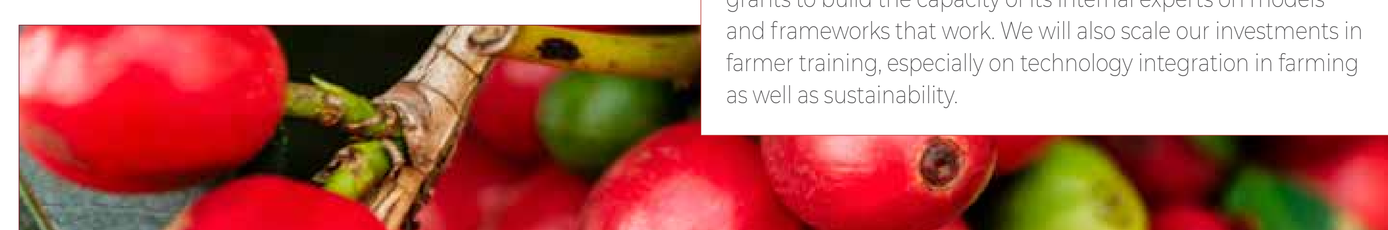
Concept Notes/Proposals Submitted in 2021

In line with the Bank's mandate to provide advisory services to the government on matters of Agriculture, TADB submitted various concept notes and proposals during the year, as detailed below:

- **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 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. 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.
- **Partnership for Promoting Investment in the Red Meat Value Chain;** The paper proposes a project to promote investment in the red meat value chain with the objective to facilitate investments in expanding the feedlot capacity of small-scale livestock keepers and commercially viable agribusinesses; animal fatteners, off-taking, processing and export of 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 of opportunities for commercializing traditional livestock farms for increasing incomes and job creation.

Looking Ahead

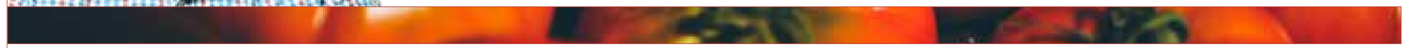
As the world economies continue to recover from the ravages of the pandemic, TADB will continue to explore new opportunities along the sector value chains to accelerate growth and deepen the impact. The bank has prioritized learning from the best examples around the world on agriculture transformation and will. Dedicate resources in the form of Technical Assistance and grants to build the capacity of its internal experts on models and frameworks that work. We will also scale our investments in farmer training, especially on technology integration in farming as well as sustainability.



Treasury & Funding Report

Emmanuely Lymo
Resource Mobilization Manager

Scaling Partnerships to Deepen impact



With the rapidly shifting business landscape, characterized by continuous changes in consumer preferences and spending priorities, developing sustainable funding mechanisms and instruments is today more important than ever before.

This is the understanding that we had at the beginning of the year, coming from a depressed economy, caused by COVID-19.

TADB's priority in 2021 was to streamline funding through expanded partnerships and drive the growth of portfolios through well-structured blended resources. Specifically, the bank explored portfolio guarantees and grants, complemented by the national allocation; to further its activities. This was done to unlock long-term and strategic investment in the agri-sector.

During the year, the Bank restructured its funding directorate to focus on global engagements, strategic partnerships, and resource mobilization. In doing so, we sustained engagements with selected stakeholders to build strategic alliances, and mobilize funds and other resources. The Bank 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 organizations. The following highlight the milestones achieved by the end of December 2021.

i. TADB signed an 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 marginalized borrowers). It also offers origination incentives (that compensate 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 technical assistance support to partner financial institutions and borrowers.

ii. The African Guarantee Fund for SMEs (AGF) approved a guaranteed line worth USD 10 million (TZS 23 billion) to support SMEs in agriculture. Such risk-sharing instruments are highly needed considering the nature of SMEs in Tanzania and limited guarantee schemes in Tanzania. This partnership will also enable TADB to partner with the AFAWA initiative to support women-owned businesses.

iii. The Bank had advanced discussions and preliminary agreements with Bill and Melinda Gates Foundation (BMGF) to support the dairy sector in Tanzania through an inclusive private sector-led dairy 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 an initial commitment worth USD 7 million (TZS 16.1 billion) in grants to support the Programme.

iv. Funding worth Euro 80 million from the Agence Française de Dévelopement (AFD) for institutional support to TADB is in progress. The Government has sent a request letter to AFD. Funding worth Euro 1,000,000 has been allotted as technical assistance for the initial review of TADB's products and strategy by consultants.

v. Africa Legal Support Facility (ALSF) partnership agreement is in the final stages, this engagement will provide capacity building to the Bank's legal team. The ALSF support is worth USD 100,000 (TZS 230 million).

vi. TADB's continued its collaborations with the Financial Sector Deepening Trust (FSDT) under the Financial Inclusion Initiative Programme signed in 2019. FSDT allotted a grant worth USD 600,000 (TZS 1.4 billion) to TADB to support financial inclusion initiatives in the agriculture sector through two Programmes: The project has been extended, currently in the final stages of hiring a Project Coordinator.

vii. TADB's collaborations with JICA continued, in 2021 key staff of the Bank received KAIZEN training and other management training.

viii. IFAD and TADB are in discussion to partner in a new Programme known as the 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 the institutional capacities of key public institutions and private sector stakeholders. TADB has applied for funding worth USD 5 million (TZS 11.5 billion) through NSO to support the Programme.

ix. TADB is in discussions with AGRA to pilot the new Integrated Value Chain Financing (IVCF) model adopted by the Bank. AGRA has committed to providing USD 400,000 (TZS 920 million) in grants to support non-financial activities such as SHF's mobilisation, training, and BDS.

x. TADB signed an MoU with UNDP to partner in the establishment of a people-centred investment facility. The facility will facilitate the creation of a conducive environment for investments for business development services for project preparation and linking projects to investors. TADB submitted nine projects to be supported by the facility, whereby consultants are still reviewing the submitted projects.

xi. TADB joined Convergence Blended Finance Platform. Through this platform, the Bank has connected with several partners and is currently in discussions to collaborate on various projects. This platform provides the opportunity for TADB to expand its network of partners and mobilize resources.

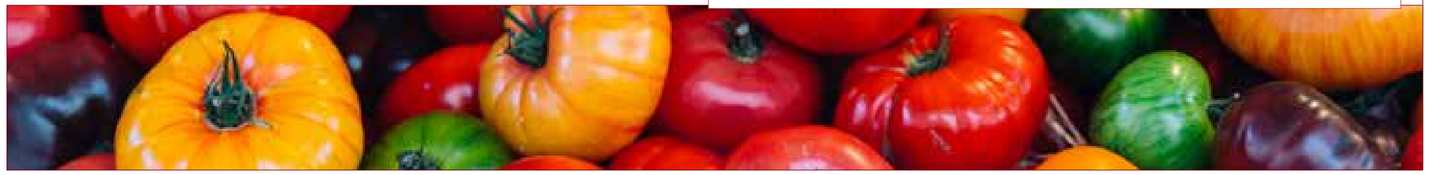
xii. TADB received AfDB's mission for the Project Completion Report (PCR). The PCR has provided highlights of the key achievements and impact made by the AfDB project.

xiii. To scale up lending to the agri-sector, the Bank continued to work very closely with commercial banks and regional development banks to develop and package projects for co-financing. Up to December 2021, the Bank had approved and co-financed projects with other banks worth TZS 150 billion, and other projects worth TZS 120 billion are in the pipeline.

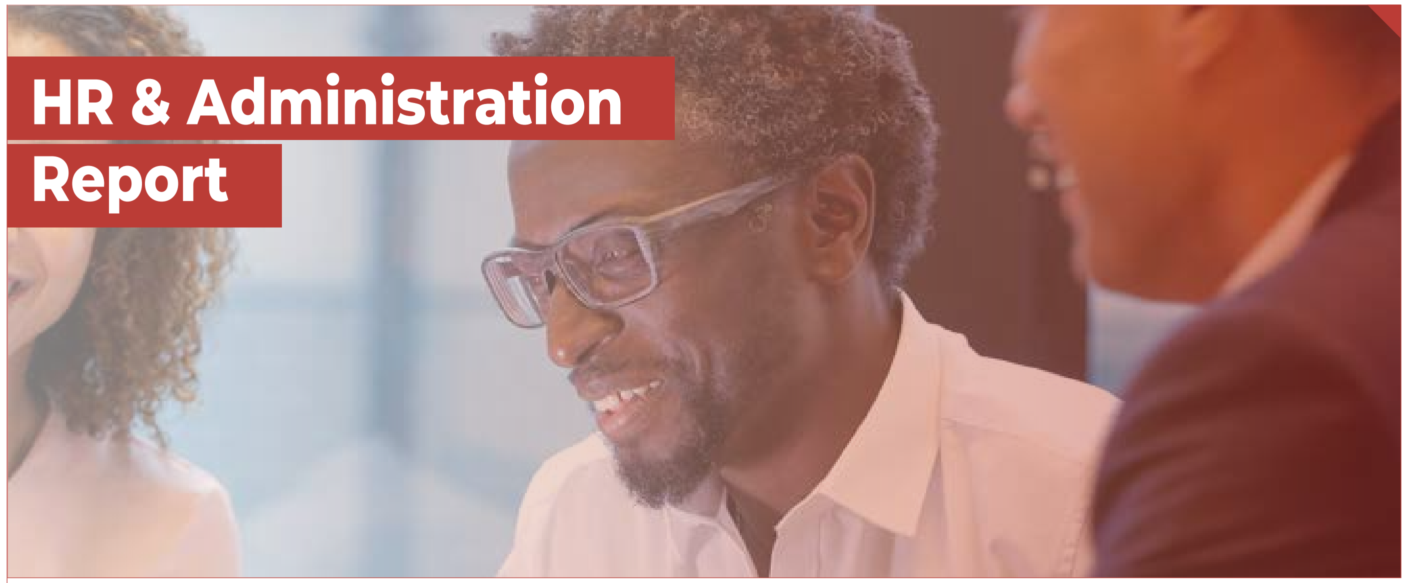
xiv. Moreover, the Bank engaged the Tanzania Social Security Association (TSSA) which includes all Government pensions and insurance funds such as National Social Security Fund (NSSF), Public Service Social Security Fund (PSSSF), Workers Compensation Fund (WCF), and National Health Insurance Fund (NHIF) pitching for them to extend their investment portfolio to the agriculture sector which offers better returns compared to other sectors when structured well. Engagements are ongoing, and two projects in the textile and apparel sub-sector are expected to be funded in 2022.

Looking Ahead

In 2022, the bank will focus on deepening its partnerships, especially with PFIs to deepen access and accelerate the growth of the portfolio under SCGS. The bank will also continue to explore blended resources, especially in the international sphere with a focus on multilateral and bilateral lenders focused on agriculture financing.



HR & Administration Report



Noelah Bomani - Ntukamazina
Ag. Head of Human Capital
& Administration

Banking on Our People Beyond Disruptions

Without a doubt, the COVID-19 pandemic has disrupted global economies and businesses, and human resource has been at the heart of it.

With companies now on the cusp of recovery, it is increasingly becoming imperative to strengthen HR practices to build resilience and long-term stability.

Amidst all these shifts, however, one thing is for certain – the pandemic and its inherent effect on businesses has highlighted the need for adaptability and resilience in today's workforce, accelerated the shift towards a new, digital economy, and accentuated the importance of HR in the new normal.

TADB understands that to remain relevant in the new normal, the bank must continue to invest in its workforce and continually review its HR model to drive performance and increase productivity. During the 2021 FY, the bank continued to implement initiatives geared towards strengthening its HR function, learning from other markets, and being driven by the experiences of 2020.

Staff Learning & Development

TADB believes that to achieve its vision, intellectual capital is an intangible asset that contributes to its financial and non-financial (developmental) performance. During the year under review, the Bank continued to focus on building the expertise of its employees, including expanding the sum of knowledge contained within the organization. Specifically, the bank invested substantial resources in developing management expertise and training TADB employees in business-specific areas to add to the "intellectual capacity," of the Bank. The capital employed included contracting experts in different value chains to enhance intellectual capital and increase business value.

The investments made in 2021 were informed by the need to build foundational awareness among 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 were key areas that employees were capacitated at. The bank also leveraged 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).

Driving Employee Engagements

While adopting the appropriate corrective actions to promote employee engagement and talent development, TADB continued to connect with workers at all levels in the year under review. This was done to understand their needs and respond to them. We believe that in order for our people to perform at their best in the face of the rapid changes brought about by the COVID-19 pandemic, they need to be engaged.

Strengthening Leadership

TADB is dedicated to developing leaders who can motivate others to take action. The Bank has taken initiatives to craft leadership development programmes in line with our medium term strategy. We continue to leverage our strategic alliances to expose leaders to acquire knowledge and skills for their personal and teams' growth.

Planning for Succession & Talent Management

TADB has in place succession and talent management programmes to evaluate present and future potential to develop a succession plan for tier 1 and tier 2 leaders across the bank.

The Programme smoothens the change in leadership as well as lessens uncertainty and lost productivity. Additionally, it develops a practical and objective road map for leadership and human resources decisions.

Employee Welfare

TADB has continued its efforts to create a conducive environment for staff, as well as emphasizing on employee welfare.

Looking Ahead

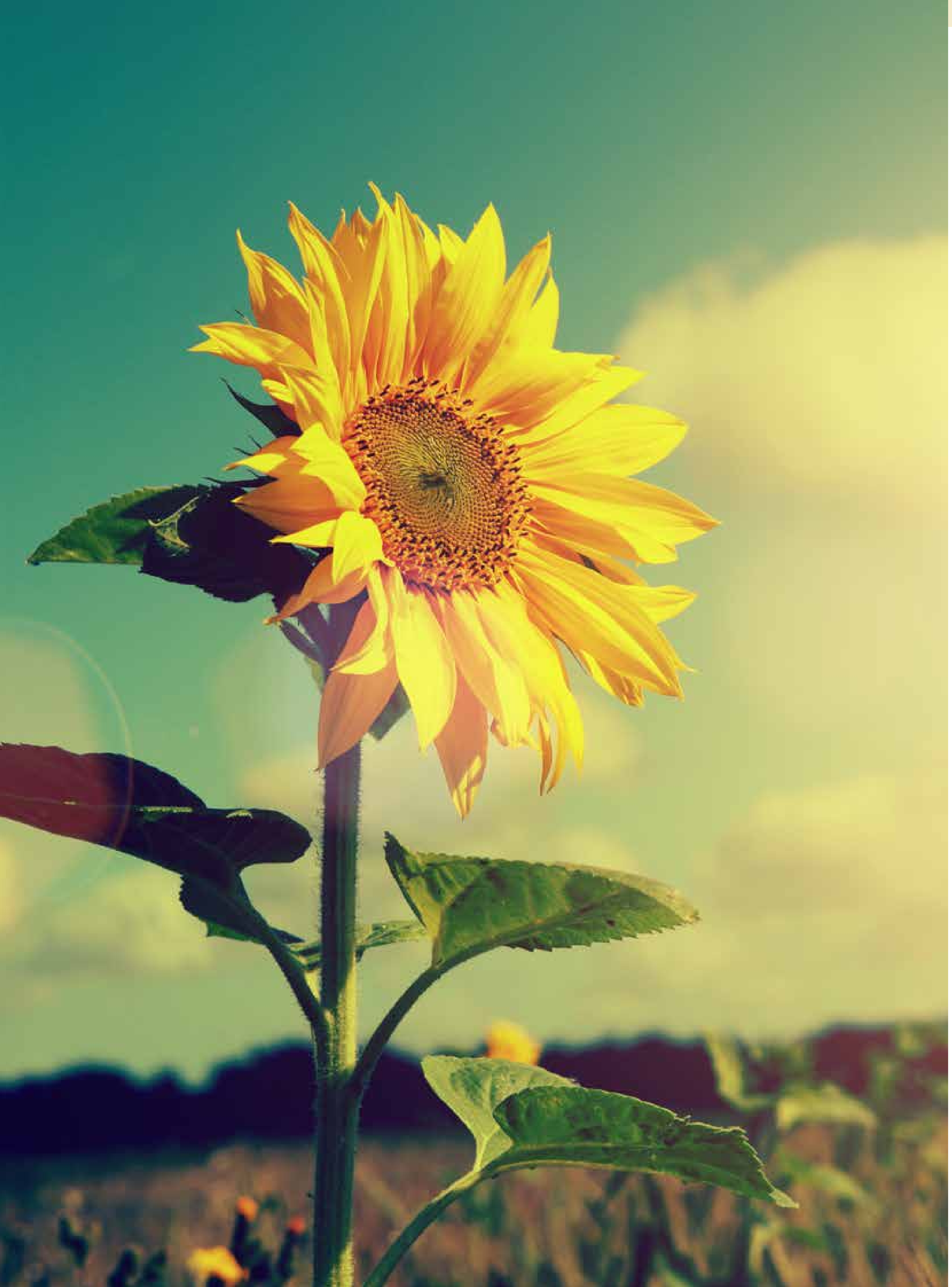
The Bank believes that the ability to address the fundamental human needs of those who work there will determine the direction of employee engagement in the future.

Our opinion is that in order to successfully engage employees, attention must be given to their fundamental workplace demands. Deploying a framework for tracking, measuring, and improving staff performance and overall experience will be a top focus.

That, in our opinion, will foster an atmosphere where all of our employees will be thrilled and eager to wake up every morning and report to work. In order to further improve our learning environment, we will continue to seek out relationships with organizations that share our interests.

Strategic Risk Management

Chapter Five



Kassim Bwijo
Ag. Head of Risk & Compliance

Elevating Risk Consciousness Amid Shifts in the Business Landscape

In the wake of the COVID-19 pandemic, banks found themselves on the frontline of economic disruptions.

Banks are increasingly taking multiple measures to support their employees and customers and help bolster the financial system. TADB reckons that it won't be an easy ride ahead. This is why we have made it a strategic imperative to strengthen our operational resilience and business continuity planning.

Implementing an enterprise risk management framework was our priority for the year in order to promote sustainability in the wake of pervasive changes. We collaborated with stakeholders to identify and resolve operational and system risks while taking into account the changing business requirements and the environment. Enhancing the Bank's risk monitoring skills to find weaknesses and properly gauge the bank's resilience was a crucial consideration throughout the year.

The TADB significantly invested in ICT projects throughout the year, including the implementation of a new Integrated Core Banking System (ICBS). The use of digital services and collaborative tools, together with the investments, entails increased system and cyberattack risks that the bank had to anticipate.

In the same vein, the pandemic-driven changes in the workplace have an impact on the bank's investments in cybersecurity, such as network access control systems. In contrast, the Bank was able to fill holes in data management and security, KYC management, and integrations by implementing automation during the year.

Key Developments During the Year

During the year, the bank made strides in strengthening its risk framework including a receiver of policies and procedures. The Operation Risk Assessment tools (Risk and Control Self-Assessment (RCSA) and Key Risk Indicator) were communicated to Management for adoption.

To inculcate the risk culture, the Bank initiated a process to select Risk Champions to drive the Programme. The selection of Risk Champions and training for Management and Staff.

Principal Risks & Uncertainties

The banking industry depends on taking risks, and operating hazards are an inevitable byproduct 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.

1. 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.

2. 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 Department.

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.

3. 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 FX currency swaps.

4. 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 repricing that may be undertaken, which is monitored regularly by the Bank.

Corporate Governance Report

Chapter **Six**

Board Profile

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 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

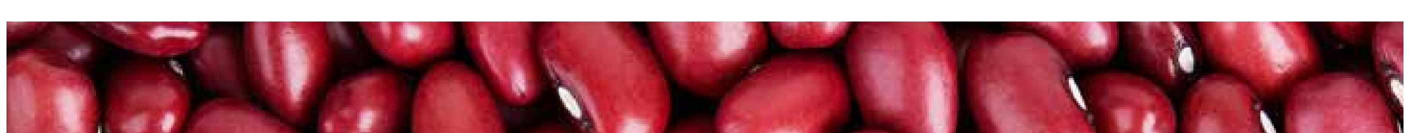
The directors are persons with knowledge and experience and they are appointed on the basis of merit from amongst persons who are experienced in development financing, agriculture, banking, economic or financial matters, and other relevant experience (and at least two shall possess significant experience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

BOARD COMMITTEES

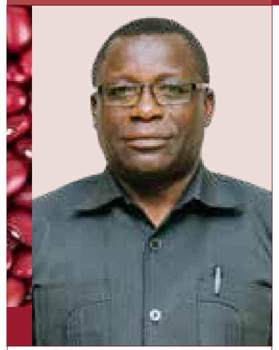
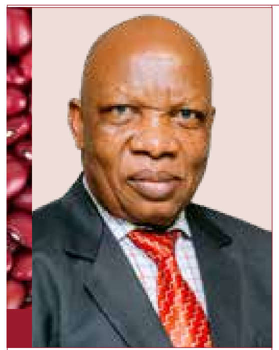
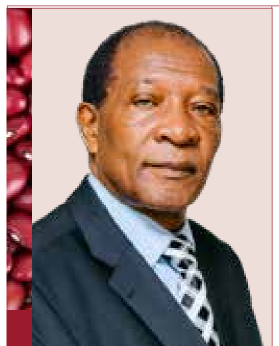
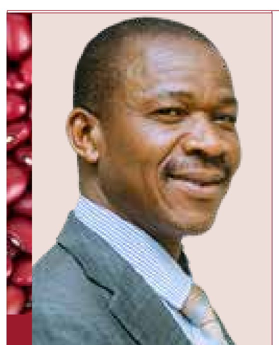
COMMITTEE	FUNCTIONS
Audit, Risk & Compliance Committee	◗ Reviews accounting policies, Management's approach to internal controls and risk management, the adequacy and scope of the external and internal audit functions, compliance with regulatory and financial reporting requirements ◗ Oversees the relationship 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 policies and procedures adopted by the bank.
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.

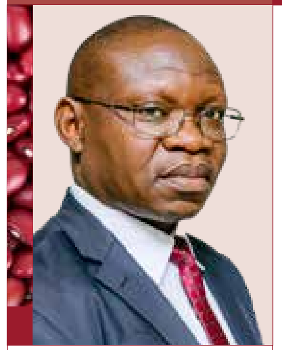
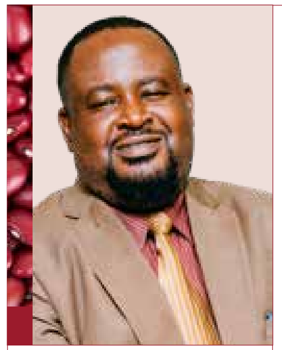
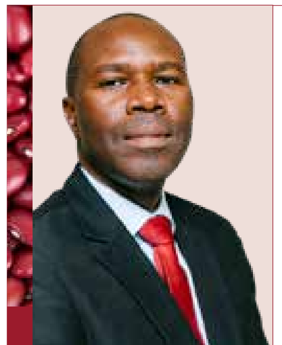
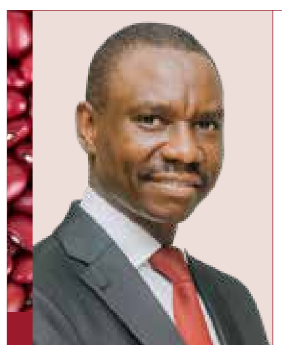
BOARD COMPOSITION AND ROLES

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.



Board Biographies

Name	Short Profile
 **ISHMAEL ANDULILE KASEKWA - CHAIRMAN**	Ishmael Andulile Kasekwa is a certified accountant by profession. He holds an MBA in Finance from the United Kingdom. With over 15 years of experience working in the Finance department of the Parliament of Tanzania, he has been exposed to all facets of finance from bookkeeping, management of cash flow, budgeting and reconciliation to financial reporting and analysis. Furthermore, prior to his retirement, he was appointed to serve as the Assistant Accountant General responsible for Public Debt Management and General Services. During his tenure, he was able to establish and execute a strategy for managing the government's debt to balance its risk and cost objectives. Meticulous and attentive, Ishmael was known as a man of high integrity with exceptional interpersonal, and communication skills. Now, retired, Ishmael serves as a member of the Tax Revenue Appeals Tribunal (TRAT) until July 2023, as well as the current Chairperson of the Board of the Tanzania Agricultural Development Bank (TADB).
 **NTENGUA SELEMAN Y. MDOE - MEMBER**	Professor Ntengua Seleman Mdoe is a retired, part-time professor, at the Sokoine University of Agriculture (SUA). Prior, he taught at the university for almost 30 years. Professor Ntengua areas of expertise lie in Agricultural Economics and Agribusiness. Professor Ntengua has worked in over 15 research projects, and he has been featured in over 50 publications (journal articles, policy briefs, reports, compendia, etc.). Furthermore, he served as an external examiner for local universities and other African universities such as the University of Nairobi, the University of Swaziland, Makerere University, and the University of Malawi. Professor Ntengua continues to provide consultancy and advisory services in areas of rural development, livelihoods, farm management, agriculture, livestock/dairy production and marketing, at the national, regional and international levels. He has been a board member of the Tanzanian Agricultural Development Bank (TADB) since November 2020
 **HUSSEIN HASSAN MBULULO - MEMBER**	Six years of experience as General Manager at Twiga Bancorp Limited before its merger with the Tanzania Postal Bank (TPB), Hussein Hassan Mbululo is a well-versed banker who started at the bottom of the ladder with administrative roles as a bank clerk and grew his way to the top of the ladder by becoming the General Manager in 2007. His experience in banking has involved him working at both public, and private, sector banks. Furthermore, Hussein was able to manoeuvre his way by working in various departments and acquire hands-on experience, especially with operations, credit, treasury, finance and strategy. Charismatic and ambitious, Hussein strives for excellence in all that he does and believes that life is a never-ending classroom. For that reason, Hussein had the privilege to use his expertise to become a trainer and extend his knowledge in bank-training institutions as a way of giving back to the banking industry and support its development of human capital. He is proficient in banking operations, lending, international trade finance, risk management, microfinance, and the fundamentals of banking. Hussien Hassan Mbululo has served as a board member at the Tanzania Agricultural Development Bank (TADB) since April 2016.
 **DANIEL WILLIAM MASOLWA - MEMBER**	Daniel William Masolwa is a diligent economist and statistician, currently serving as the Acting Director of Economic Statistics at the National Bureau of Statistics (NBS). Daniel has vast experience in data management, which allows him to possess complete insight into the prevailing market trends. With experience in both quantitative and qualitative analysis skills, Daniel has worked at NBS for over 20 years. The NBS mission is to produce quality official statistics and services that meet the needs of national and international stakeholders for evidence-based planning and decision-making. Through this experience, Daniel furnishes the executive leadership team with analytics, insights, reports, and recommendations facilitating effective strategic planning across all business units within the organization. Furthermore, his team supports other organizations through the provision – and accessibility – of this information to enhance their decision-making process. Daniel is a highly motivated individual with a passion for data. He has severed as a board member at the Tanzania Agricultural Development Bank (TADB) since November 2020.

Name	Short Profile
 **WILLIAM MICHAEL MHOJA - MEMBER**	William Michael Mhoja is an Acting Assistant Commissioner for Policy Analysis responsible for macro-economic policy formulation and management in the Ministry of Finance and Planning. Before that, he headed the Ministerial delivery Unit on Resource Mobilisation from 2013 to 2015 under the BRN delivery methodology in an endeavour of the Government to mobilize resources for financing strategic development projects. He has been undertaking domestic and international trade tax policy analysis consistent with international best practices. He participates in the coordination of the annual budget consultation process; as well as keeping abreast with development in the regional integration of the East African Community, the Southern African Development Cooperation and other global forums. William also is competent in Revenue Administration and Policy as he served the Tanzania Revenue Authority for ten years until 2007 and the Ministry of Finance and Planning in the Policy Analysis Department, Fiscal Policy Section for the subsequent 8 years. He is well equipped in Public Sector Financial Management, Government Extension to Project Management, Public Policy Analysis and Strategic Implementation, Public-Private Partnership Project Finance and Financial Modeling, to mention but a few. William Michael Mhoja has served as a board member at the Tanzania Agricultural Development Bank (TADB) since January 2017.
 **ABDUL MUSSA ALLY - MEMBER**	Abdul Mussa Ally is a PhD holder who has acquired vast practical and theoretical knowledge in the field of Economics, Accounting, Finance & Banking, and Financial Management. He is well exposed to Accounting, Planning, Budgeting and Management of Loans especially students' loans. Abdul serves as the Director of Planning at the Office of the Solicitor General where he heads the planning and budgeting section, and the monitoring and evaluation section. He works closely with the Ministry of Constitutional and Legal Affairs, Ministry of Finance and Economic Affairs, and PO-PSM on strategic planning and budgeting processes. Effective at communicating, Abdul possesses exceptional diplomacy and critical thinking skills, where he is able to foster a conducive environment for collaboration to occur. Additionally, Abdul is known for being an honourable man who leads by example through the provision of inspiration, through the encouragement of calculated risk-taking to support innovation, and through fostering an environment that supports teamwork. Abdul Mussa Ally has served as a board member at the Tanzania Agricultural Development Bank (TADB) since November 2020.
 **SIMON MIGANGALA MILENGE - MEMBER**	Simon Migangala Milenge holds a BA from IMD, a business school based in Lausanne, Switzerland that he completed in 2008. He also graduated in BCom Accounting with honours from the University of Dar es Salaam in 1998 and joined PricewaterhouseCoopers in the same year. He qualified as Certified Public Accountant (CPA (T)) in May 2000 as the overall best CPA candidate of the session. In 2006, Simon trained and obtained a certification in stock-broking and dealing in capital markets. In 2007, he also trained in financial markets dealing and obtained a certificate from the ACI-The Financial Markets Association. Currently, Simon is a candidate for Chartered Financial Analyst (CFA) level II with the CFA Institute of the United States. In April 2018, Simon was appointed Managing Director of UTT AMIS, the position he is serving to date. Since his appointment, Simon has provided strategic direction for the Company enabling it to achieve the highest annual growth of 41.98% in Assets Under Management (AUM) for the financial year ended 30 June 2020. Furthermore, he has provided strategic direction that has allowed the company to make investments in information technology and building capacity to become the leading asset management company in Tanzania and East Africa. Simon has served as a board member at the Tanzania Agricultural Development Bank (TADB) since April 2016.
 **FRANK MUGETA NYABUNDEGE - MEMBER**	Frank Mugeta Nyabundege is the Managing Director of the Tanzania Agricultural Development Bank (TADB). Prior to his presidential appointment, Frank has served as Managing Director at Lake Oil Limited (one of East and Central Africa's fastest-growing energy trading and transportation conglomerates) and TIB Corporate Bank (a Tanzanian state-owned commercial bank). With more than 21 years of experience, out of which 19 years have been in the Banking sector, Frank has experience in domestic and international organisations in the field of banking where he has worked in regional and multinational banks. He also holds a Post-graduate Diploma in Economic Diplomacy and is a Certified Director by the Institute of Directors Tanzania (IoDT). Frank has also served in different government entities as a board member the most recent ones being High Education Students' Loan Board (HESLB) and National Ranching Company Limited (NARCO) as Managing Director, Frank also serves as a board member since his presidential appointment in August 2021.

Management Team

Frank Mugeta Nyabundege
Managing Director

Qualifications:
Master of Business Administration (MBA) - Corporate Management, Mzumbe University (Tanzania).

Expertise:
Profit & Loss Management, Banking
Strategy Formulation & execution
Economic Diplomacy.

Dr. Kaanaeli Nnko
Dir. of Finance

Qualifications:
PhD Business Administration and Management - Swiss School of Management - Switzerland.

Expertise:
Finance Management, Treasury, Agency Funding, and Credit Administration.

Mzee Kilele
Director of Planning, Research & Policy

Qualifications:
Master's Degree - Economics & Finance, University of Bradford (UK).

Expertise:
Strategy, Business Transformation Policy Analysis, Project Coordination & Management.

Afia Sigge
Ag. Director of Credit & Business

Qualifications:
Bachelor of Science - International Business Administration, USIU (Kenya).

Expertise:
Strategy, Credit Appraisal & Management, Debt Management.

Dr. Edson Rwechungura
Head of Legal Services

Qualifications:
PhD in Law - University of Dar es Salaam, (TZ).

Expertise:
Strategic Management, International Law, Policy Analysis, and Strategic Planning.

Joyce Maduhu
Head Internal Audit

Qualifications:
MBA – Corporate Management - Mzumbe University. Certified Public Accountant (CPA) - NBAA.

Expertise:
Financial Risk, Accounting & Audit, Strategic Management.

Noelah Ntukamazina
Head of Human Capital & Administration

Qualifications:
MSc. Instructional Design & Technology – Walden University, (USA); Certified HR Practitioner, (CHRP) CIPD - UK.

Expertise:
HR, Change and Leadership, Culture & Transformation and E-learning.

Kassim Bwijo
Ag. Head of Risk & Compliance

Qualifications:
Master of Business Administration – University of Nairobi (Kenya)

Expertise:
Compliance Risk, Risk Management, Internal Audit, Strategic Management.

David Nghambi
Head of ICT

Qualifications:
MSc. Computer Networks & Communication – University of Westminster (UK).

Expertise:
Business Analysis, IT Management, Project Management, Data Centre Adm., Networking, Programming.

Financial Statements

Chapter **Seven**

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 2021

MANDATE

The statutory mandate and responsibilities of the Controller and Auditor General are provided for under Article 143 of the Constitution of the URT of 1977 (as amended from time to time) and in Section 10 (1) of the Public Audit Act, , Cap 418 [R.E 2021].

Vision

A credible and modern Supreme Audit Institution with high-quality audit services for enhancing public confidence.

Mission

To provide high-quality audit services through modernization of functions that enhances accountability and transparency in the management of public resources.

Motto: "Modernizing External Audit for Stronger Public Confidence"

Core Values

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

i. Independence and objectivity
ii. Professional competence
iii. Integrity
iv. Creativity and Innovation
v. Results-Oriented
vi. Teamwork Spirit

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 adequate working tools and facilities that promote independence.

TADB

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CORPORATE INFORMATION

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 estates 84 Kinondoni road P.O. Box 63372 Dar es Salaam, Tanzania
Bankers		Bank of Tanzania 2 Mirambo street P.O. Box 2939 Dar es Salaam, Tanzania
Company Secretary		Dr. Edson P. Rwechungura 4th Floor, Acacia estates 84 Kinondoni road P.O. Box 63372 Dar es Salaam, Tanzania

AUDITORS

Controller and Auditor General
National Audit Office
4 Audit Road
P.O. Box 950
41104 Tambukareli
Dodoma, Tanzania

Deloitte & Touche
Certified Public Accountants (Tanzania)
3rd Floor, Aris House
Plot 152, Haile Selassie Road
P.O. Box 1559,
Dar es Salaam, Tanzania

DEFINITIONS OF TERMS AND ABBREVIATIONS

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

(a) Statement of financial position;
(b) Statement of profit or loss and other comprehensive income;
(c) Statement of changes in equity;
(d) Statement of cash flows;
(e) Notes comprising a summary of significant accounting policies and other explanatory notes.

Abbreviations			
AAPC	Annual Agricultural Policy Conference	NSO	Non – Sovereign Organizations
AFAWA	Affirmative Finance Action for Women in Africa	PAA	Public Audit Act No. 11 of 2008
AfDB	Africa Development Bank	PAC	Public Accounts Committee
BAC	Board Audit Committee	PAR	Public Audit Regulations, 2009
BBC	Board Business Committee	PPA	Public Procurement Act, 2016
BDS	Business Development Services	PPR	Public Procurement Regulations, 2013
BMGF	Bill & Melinda Gates Foundation	SCGS	Small-holder Farmers Credit Guarantee Scheme
BOT	Bank of Tanzania	SHFs	Small-holder Farmers
DFI	Development Finance Institution	T13P	Tanzania Inclusive Processors Producers Partnership
ECL	Expected Credit Loss	TA	Technical Assistance
EOB	Extra Ordinary Board	TADB	Tanzania Agricultural Development Bank Limited
HRAC	Human Resource and Administration Committee	TCDC	Tanzania Cooperative Development Commission
IFAD	International Fund for Agricultural Development	TMX	Tanzania Mercantile Exchange
IFRS	International Financial Reporting Standards	TZS	Tanzania shillings
ISSAI	International Standards of Supreme Audit Institutions	URT	United Republic of Tanzania
JICA	Japan International Cooperation Agency	WRRB	Warehouse Receipt Regulatory Board
LGA	Local Government Authority		
MIVARF	Value Addition and Rural Finance Support Programme		

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

1. INTRODUCTION

The Directors present their report together with the audited financial statements for the year ended 31 December 2021, which disclose the state of affairs of Tanzania Agricultural Development Bank Limited (the "Bank" or "TADB").

2. INCORPORATION

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.

3. BANK'S 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.

4. BANK'S 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.

5. PRINCIPAL ACTIVITIES

The Bank is engaged in delivery of finance and related non-finance services and facilities to the agricultural sector in Tanzania and is licensed under the Banking and Financial Institutions Act, 2006.

6. RESULTS

The Bank's financial results for the year are set out on page 122 and summarised below:

	2021 TZS '000	2020 TZS '000
Profit before tax	16,030,059	11,884,247
Income tax charge	(5,081,951)	(3,659,190)
Profit for the year	10,948,108	8,225,057

7. DIVIDENDS

The Directors propose payment of dividends of TZS 550 million for the year ended 31 December 2021. (2020: 500 million).

8. PERFORMANCE FOR THE YEAR

The Bank recorded a profit before tax of TZS 16.03 billion (an increase of 34%) for the year 2021 (2020: Profit of TZS 11.88 billion). The increase in profit is largely attributed to growth in interest and similar income to TZS 31.38 billion from TZS 27.75 billion in 2020; being an increase of TZS 4.24 billion (13%). The main driver for the improvement seen in the year is mainly due to the growth in interest income from interest-earning assets.

The Bank also employed stringent controls in monitoring non-performing loans and ensuring the Bank's non-performing loans (NPL) ratio remains below the industry average of 9.3% (Bank of Tanzania report June 2021). Furthermore, management cost containment measures have also contributed to improved profit margins.

The strong revenue growth, disciplined cost-optimisation, and enhanced loan portfolio management resulted in an impressive financial performance which saw the profit before tax (PBT) crossing the TZS 14 billion mark in 2021.

8.1 Credit impairment and non-performing loans

As of 31 December 2021, the Bank's NPL ratio was 6.09% which is slightly above the Bank of Tanzania threshold of 5% but below the industry average of 9.3% (BoT report June 2021).

8.2 Operating expenses

Other operating expenses increased by 21% year on year whilepersonnel expenses increased by 3%. The Cost to income ratio was 42% in 2021 which is an improvement from the 2020 level of 45%. The drop in cost to income ratio to 42% in 2021, reflects TADB's efforts to effectively manage costs and ensure adequate profit margins. Going forward, the Bank will continue with this strategy. With the rollout of the Core banking system, TADB will save more on costs that were previously being paid for outsourced services/ systems. The overall performance of the bank continues to improve with better prospects in 2022 and going forward.

9. SOLVENCY

The Bank's state of affairs as at 31 December 2021 is set out on page 37 of these financial statements. The Board of Directors considers the Bank to be solvent within the meaning ascribed by the Companies Act, 2002.

DIRECTORS' REPORT (CONTINUED)

10. STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors ("the Board") is accountable to the shareholders for the overall bank's performance and is collectively responsible for the long-term success of the Bank. The Board achieves such success by setting appropriate business strategy and overseeing delivery against the set strategy. It ensures that the Bank manages risks effectively and monitors financial performance and reporting.

The Articles of Association of the Company provides that the Board shall comprise of a minimum of five Directors. The Board is currently composed of seven Directors. The Board determines its size and composition, subject to the Company's Articles of Association, Board Charter and other governing laws.

The Board takes overall responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board delegates the day-to-day management of the business to the Managing Director who is assisted by senior management. Senior management is invited to attend board meetings and facilitates the effective control of all the Bank's operational activities, acting as a medium of communication and coordination between all the various business units.

The Directors of the Bank at the date of this report, who have served since 1 January 2021 unless otherwise stated, are:

S/N	Name	Position	Age	Qualification/ Discipline	Nationality
1.	Mr. Ishmael Kasekwa	Chairperson	64	Masters' Degree in Business Administration, Certified Public Accountant	Tanzanian
2.	Mr. Migangala Simon Milenge	Member	50	Masters' Degree in Business Administration, Certified Public Accountant	Tanzanian
3.	Dr. Abdul Ally	Member	51	Doctor of Management in Financial Management	Tanzanian
4.	Mr. Daniel Masolwa	Member	53	Master of Arts in Economics-UDOM (in Progress)	Tanzanian
5.	Mr. Hussein Hassan Mbululo	Member	68	Masters' Degree in Finance	Tanzanian
6.	Prof. Ntengua Mdoe	Member	70	Professor of Agriculture-Production & Farm Management	Tanzanian
7.	Mr. William Mhoja	Member	53	Master of Arts in Economic Policy Management	Tanzanian
8	Mr. Frank Nyabundege	Managing Director	47	Master of Business Administration	Tanzanian

11. COMPANY SECRETARY

The Bank's Company Secretary on 31 December 2021 and during the year was Dr Edson P. Rwechungura.

12. BOARD APPOINTMENT

The Board of Directors is made up of both executive and non-executive Directors. The Directors are persons with knowledge and experience, and they are appointed based on 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 Managing Director is a Member of the Board by virtual of his office. The tenure of the Board is three years. The Chairperson of the Board is a presidential appointee, whereas all other members of the Board are appointed by the Minister of Finance and Planning after every three years. All Directors appointed are approved by the Bank of Tanzania.

13. BOARD MEETINGS

The Board has put in place an annual work plan that sets out the Board activities in a year. The Board meets at least once every quarter and additionally when necessary, to consider all matters relating to the overall control, business performance and strategy of the bank and succession plan. The Board and its committees meet regularly as per business requirements.

The Board's work plan together with the calendar of meetings for 2021 was fixed in advance and provided to all Directors. Adequate notice was given for each meeting and Directors received detailed papers on issues to be discussed in good time.

The Board has ownership over the Bank's strategic direction. At each Board meeting, progress against the approved business plans is reviewed and management is given guidance as appropriate.

During the year under review, the Board met seven (7) times. The Board held two (2) ordinary meeting and five (5) extra ordinary meetings during the year 2021. Below is a summary indicating the number of meetings attended by Members of the Board/ Committee during of the financial year 2021:

Number of Meetings attended

S/N	Name of Director	BOARD	EOB	BBC	BHRAC	BAC
1	Mr. Ishmael Kasekwa	2	5	-	-	-
2	Mr. Migangala Simon Milenge	2	4	7	-	5
3	Dr Abdul Ally	1	5	-	5	-
4	Mr. Daniel Masolwa	2	4	-	-	4
5	Mr. Hussein Hassan Mbululo	1	5	-	4	-
6	Prof. Ntengua Mdoe	2	5	7	5	-
7	Mr. William Mhoja	1	5	7	-	4
8	Mr. Frank Nyabundege	1	3	-	-	-

14. BOARD STRUCTURE

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 comprises seven (7) non-executive members, the Managing Director, and a secretary who is the head of legal services of the Bank. The chairperson of the Board was appointed by Her 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.

The Board operates under a comprehensive structure made up of committees established to assist it in discharging its responsibilities and obligations. Each committee has a set of specific terms of reference outlining the scope of its responsibility and relevant administrative and procedural arrangements. The Board has formed three committees; Audit, Risk and Compliance Committee, Business Committee, and Human Resources and Administration Committee, with delegated authority to assist the Board effectively to carry out some of its functions. Each committee is assigned specific focus areas and specialized functions in the operations of the bank. However, the Board remains ultimately responsible for all the bank's governance and policy decisions.

DIRECTORS' REPORT (CONTINUED)

The Board committees assist the Board in carrying out its responsibilities. In deciding committee memberships, the Board endeavours to make the best use of the range of skills across the Board and share responsibility at each ordinary Board meeting, the chairpersons of the committees are required to report to the Board with updates of deliberations of the committees and to escalate to the Board all matters requiring the Board's consideration and approval.

Each committee has in place terms of reference that sets out the roles and responsibilities and the procedural rules that apply to the committee. Under the procedural rules, each committee must be composed of at least three members, all of them being Non-Executive members.

Details of the Board committees are as follows:

14.1 Audit, Risk and Compliance Committee

The Committee plays a vital role in ensuring the integrity of the financial statements before the review and approval by the Board. The Audit, Risk, and Compliance Committee's prime functions are to review bank 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 assure the Board that available control procedures are implemented by management, and are complete and effective.

The members of the committee at the date of this report, who have served since 1 January 2021, are:

S/N	Name	Position	Age	Nationality	Nationality
1	Mr. Daniel Masolwa	Chairperson	53	Tanzanian	Tanzanian
2	Mr. Migangala Simon Milenge	Member	50	Tanzanian	Tanzanian
3	Mr. William Mhoja	Member	53	Tanzanian	Tanzanian

14.2 Business Committee

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

The members of the Committee at the date of this report, who have served since 1 January 2021 are;

S/N	Name	Position	Age	Nationality	Nationality
1	Mr. Hussein Hassan Mbululo	Chairperson	68	Tanzanian	Tanzanian
2	Dr Abdul Ally	Member	51	Tanzanian	Tanzanian
3	Prof. Ntengua Mdoe	Member	70	Tanzanian	Tanzanian

14.3 Human Resources and Administration Committee

The principal objective of the Human Resources and Administration Committee is to assist the Board of Directors to fulfil its functions by providing informed and timely interventions and advice on issues related to human resources development and administration. The Committee reviews and oversees the overall human resources policies and procedures of the Bank. It ensures there are effective procedures to cater for human resources planning, compensation and reward systems or any other policy requirement for the company's efficient operations.

DIRECTORS' REPORT (CONTINUED)

The members of the Committee at the date of this report, who have served since 1 January 2021, are:

S/N	Name	Position	Age	Nationality	Nationality
1	Mr. Hussein Hassan Mbululo	Chairperson	68	Tanzanian	Tanzanian
2	Dr Abdul Ally	Member	51	Tanzanian	Tanzanian
3	Prof. Ntengua Mdoe	Member	70	Tanzanian	Tanzanian

14.4 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, according to the Companies Act, 2002, the Banking and Financial Institutions Act, 2006, the DFI Regulations and the Bank's strategic plan as well as Bank Business Plan. In discharging Board responsibilities effectively, each director, commands a high level of integrity, honesty, competence, and ability to adhere to good corporate governance principles. A director who is in any way, whether directly or indirectly, interested in any matter, contract or proposed contract with the Bank shall declare the nature of his/her interest at a meeting of the Directors per Section 209 of the Companies Act, 2002 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 a conflict of interest.

14.5 Director's remunerations

Director's annual fees and any other remunerations to the Board members are approved at the Annual General Meeting.

14.6 Evaluation of the Board's 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.

The accounting policies of the Bank disclosed in Note 3 to the financial statements have been approved by the Board. The accounting policies have been updated to reflect the new and revised International Financial Reporting Standards (IFRSs) in Note 3.16.

16. MANAGEMENT COMMITTEES

The Management of the Bank has the following committees responsible to develop goals, strategic plans, policies, and making 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;
- Information and Communication Technology (ICT) Steering Committee;
- Business Development Committee;
- Management Tender Board Committee; and
- Loan Portfolio Quality Committee;

DIRECTORS' REPORT (CONTINUED)

17. MANAGEMENT TEAM

As at 31 December 2021, the Management of the Bank under the Managing Director, who was assisted by the following:

1	Chief of Staff	Ms. Colleta D. Ndunguru
2	Director of Finance	Mr. Derick Lugemala
3	Director of Planning, Research, and Policy	Mr. Mzee Kilele
4	Ag. Head of Risk and Compliance	Mr. Kasim Bwijo
5	Ag. Director of Credit and Business	Ms. Afia Sigge
6	Head of Legal and Company Secretary	Dr. Edson Rwechungura
7	Head of Internal Audit	Ms. Joyce Maduhu
8	Ag. Head of Human Capital and Administration	Ms. Noelah Ntukamazina
9	Head of Information and Commination Technology	Mr. David Nghambi
10	Manager, Procurement & Stores	Ms. Neema Madoffe

18. INTERNAL AUDIT FUNCTION

The Bank has an independent Internal Audit function reporting to the Board Audit, Risk, and Compliance Committee.

19. SHAREHOLDERS OF THE BANK

The total number of shareholders during the year was 1 shareholder (2020: 1 shareholder). The shares of the Bank are held as follows:

Name of the shareholders	No. of Shares	TZS (million)	% age Shareholding
Treasury Registrar*	268,202,304	268,202,304	100%
	268,202,304	**268,202,304**	**100%**

** The Treasury Registrar owns shares on behalf of the Government of United Republic of Tanzania.*

20. STOCK EXCHANGE INFORMATION

The Bank is not listed on any stock market.

21. CAPITAL STRUCTURE

The Bank's capital structure for the year under review is disclosed in note 35 to the financial statements. Details of the capital management and regulatory capital are disclosed in Note 5.5.

22. STRATEGIC OBJECTIVES

The Bank's objectives that drive its long-term strategic focus are to unlock the full agriculture sector potential for achieving economic development and poverty and increased contribution to Gross Domestic Product (GDP) which requires a transformation of the sector through modern agricultural sector investments. The Bank has re-imagined its strategic objectives focusing on:

- To improve productivity in the agriculture sector by supporting infrastructure development like irrigation schemes, transportation, storage, market infrastructure, and processing.
- To play a leading role as an apex agricultural development bank, and catalyze other banks and financial institutions to participate actively in the 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 to increase compliance and efficiency, in organisational performance.

23. FUTURE DEVELOPMENT PLANS

The Bank will continue to improve its profitability through the introduction of innovative products, focusing on value-added customer services and selective expansion of its networks while at the same time carefully managing both costs and risks. The Bank will continue to focus on improving productivity and introducing new products to the market.

24. MARKET OVERVIEW

The Government of Tanzania is supportive of 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 the agriculture sector in particular. The Tanzania Development Vision 2025 (TDV 2025) sequenced in three Five-Year Development Plan (FYDP I, II, III), envisions transforming the economy from a low productive 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 2021, the economy of Tanzania performed relatively well, albeit experiencing the adverse spill over effect of COVID-19 on the global economy and supply chain, the economic outlook is positive, with real GDP growing by 4.1% in 2021, due to the improved performance of the tourism sector and the reopening of trade corridors. Energy and fuel price increases are expected to persist in 2022.

Whereas during the past five years, the Tanzania GDP growth average has been at 5.5%, the projections above, indicate a resilient and solid performance during COVID-19 compared to other sub-Saharan countries of which some have experienced negative growth.

Inflation remained low and stable, averaging at 3.5% in the quarter ending December 2021 compared to 3.3% in the corresponding quarter in 2020, largely driven by an increase in food prices. Food and non-alcoholic beverages inflation was at 3.8% in 2021 compared with 5.8%, due to adequate domestic food supply and favourable weather conditions; while non-food inflation was 3.1% from 2.8% on account of the stability of the exchange rate, subdued oil prices in the world market and implementation of prudent monetary and fiscal policies.

Extended broad money supply (M3) grew at an annual rate of 15.5% during the year 2021 compared to the 14.9% growth recorded in December 2020. Domestic credit to both the public and private sector grew by 17.8% which is significantly higher than the 17.8%

growth recorded during the year 2020. 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 10.0%, compared to 7.8% in the corresponding period in 2020. The subdued growth of credit to the private sector was partly attributed to the global negative effects of COVID-19 especially on sectors with higher exposure to external shocks like tourism, agriculture (due to exports), and trade.

Interest rates remained low during the year 2021 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 deposits rates decreased to 6.7% from 6.8% and the 1-year lending rate remained around 16.28% as at December 2021. The interest rate on Government papers also decreased significantly, for instance; the 2 years T-bond rate decreased from 10.08% at the end of 2020 to 9.89% at the end of 2021, the 10-year bonds rated decreased from 1.56% to 11.24% similar to 20-years bond which decreased from 15.39% to 14.75%.

With the lower rates on Government securities, most banks and pension funds are pushed to invest in other vehicles including agricultural projects.

24.1 Agriculture Sector Performance and highlights

The agriculture sector remains the main contributor to the economy, accounting for an average of 27% of the GDP with a progressive growth averaging at 5% per annum, employing nearly 67% of the population and contributing about 35% of foreign currency earnings. For the year 2021, the sector GDP grew by 4.8% slightly below the growth recorded same period last year which was at 4.9%.

Despite COVID-19 disruption and impact to both local, regional and global economy, the sector continued to be resilient contributing significantly to the growth of the country by 24.6%- the second highest after construction, which contributed 42.6% to the year real GDP growth.

As at December 2021, banks' lending to the agri-sector declined by 5.4% year on year pushing the share of the credit of the agriculture sectors slightly down to 8.7% from 9.6% recorded at the end of the year 2020. Other key sectors like manufacturing, trade and building, and construction also recorded negative growth in lending during the year. The decrease to lending to the agri-sector during the year was partly contributed by higher growth recorded prior year of about 91.5% and the COVID-19 pandemic which had a spill over effect on the economy.

Unlocking the full agriculture sector potential for achieving economic development and poverty reduction (enhanced sustainable agriculture sector growth rate and increased contribution to GDP), requires a 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 the momentum in supporting agriculture sector growth and development by extending much-needed funding to the sector chains, in particular, the small-scale farmers.

25. KEY PERFORMANCE INDICATORS

The following Key Performance Indicators (KPIs) are effective in measuring the delivery of the Bank's strategy and managing the business.

Performance indicator	Definition and calculation method	2021	2020
Return on equity	Profit after tax/Total equity	3.70%	10.72%
Return on assets	Profit after tax/Total assets	3.02%	2.18%
Cost to income ratio	Operating costs/Net income	42.07%	45.48%
Interest margin on earning assets	Total interest and similar income/(Government securities + inter-Bank loan receivables + net loans, advances and overdrafts)	9.81%	11.58%
Non - interest income to Gross income	Non - interest income/total income	2.68%	7.95%
Non - performing loans to gross loans	Non-performing loans/gross loans and advances	6.09%	4.60%
Earning assets Ratio	Earning assets/Total assets	88.16%	63.58%
Net interest income growth	(Current year net interest and similar income/ prior year net interest and similar income) - 1*100%	15.24%	70.48%
Asset growth	(Current year total assets/ prior year total assets) - 1*100%	(3.72)%	14.39%
Loans growth	(Current year net loans and advances/prior year net loans and advances) – 1*100%	25.77%	18.10%
Tier 1 Capital	Risk weighted assets including off-statement of financial position items/Core capital	150.28%	37.16%
Tier 1+Tier 2 Capital	Risk weighted assets including off-statement of financial position items/Total capital	150.28%	37.16%

26. RISK MANAGEMENT AND INTERNAL CONTROL

The Directors acknowledge their responsibility for the Bank's system of internal financial control, including taking reasonable steps to ensure that adequate systems are being maintained. Internal control systems are designed to meet the particular needs of the Bank, and the risks to which it is exposed, with procedures intended to provide effective internal financial control. However, it is to be recognized that such a system can only provide reasonable, but not absolute assurance against material misstatement.

The Board has reviewed the Bank's internal control policies and procedures and is satisfied that appropriate controls and procedures are in place.

The Board has put in place a comprehensive risk management framework to identify all key risks, measure these risks, manage the risk positions and determine capital allocations. The policies are integrated into the overall management reporting structure.

The Bank's performance trend is reported regularly to the Board and includes an analysis of performance against budget and prior periods. The financial information is prepared using appropriate accounting policies which are applied consistently.

The Bank has an internal audit department which is an independent function that reports to the Audit, Risk, and Compliance Committee and provides an independent confirmation that the Bank and business standards, policies, and procedures are being complied with.

The Bank has a Risk and Compliance department that reviews the compliance framework and ensures compliance with the requirements.

26.1 Liquidity Management

Liquidity management evaluates the Bank's ability to meet its commitments as they fall due whilst maintaining confidence in the market to be able to replace funds when they are withdrawn.

- Day-to-day funding managed by monitoring future cash flows to ensure that daily obligations can be met.
- Maintaining a portfolio of highly liquid and marketable securities that can easily be liquidated as protection against any unforeseen interruption to cash flows;
- Monitoring balance sheet liquidity ratios, i.e., Liquid Asset Ratio, and Long-term Funding Ratio against internal and regulatory requirements;
- Managing the concentration and profile of debt maturities;
- Diversification of funding base; and
- Maintaining a robust and effective contingency funding plan.

26.2 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or external events, including the legal risk. Fraud, whether internal or external, is also a subset of operational risk. The number and value of fraud cases within the Bank are quite low when compared to overall customer numbers, balances, and transaction volumes. This is due to the Bank being able to implement several stringent controls including preventive and detective measures.

26.3 Compliance risk

The risk to earnings and capital arising from violations of, or non-compliance with laws, rules, regulations, internal Bank policies and authority levels, prescribed practices, and ethical standards. Management continually and robustly ensures that the Bank complies with relevant laws, rules, regulatory requirements, and other internal procedures via several stringent controls.

26.4 Credit risk

The risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risks. The Bank has stringent controls and monitoring mechanisms in place to limit its exposure to market risk.

26.5 Strategic risk

Strategic risk concerns the consequences that occur when the environment in which decisions that are hard to implement quickly or reverse quickly result in an unattractive or adverse impact. Strategic risk ultimately has two elements: one is doing the right thing at the right time (positioning) and the other is doing it well (execution). Strategic risk includes the risk that the Bank's strategy may be inappropriate to support sustainable future growth. The Bank has strong controls in place to mitigate strategic risk, including regular strategic risk reviews at Board and Management levels.

26.6 Reputational risk

The risk that an activity, action or stance taken by the Bank's officials will impair its image in the community and/or the long-term trust placed in the Bank by its stakeholders resulting in the loss of business or legal actions against the Bank. The Bank has stringent reputation risk controls in place including very tight controls on corporate communications and messaging.

27. EMPLOYEES' WELFARE

The Bank's greatest investment and assets remain to be its people whose engagement continues to be very high. The Bank is able to attract and retain outstanding talents to strengthen the company. There has been a good working relationship between management and employees as well as employees and their supervisor's/line managers. There is a clear understanding of the employees' needs and the desire to meet those needs is foundational. Different steps are taken to interact effectively with employees through a variety of communication channels both formal and informal.

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 without regard to factors like gender, marital status, tribe, religion, and disability which do not impair the ability to discharge duties.

27.1 Training

To achieve the vision of the Bank, Intellectual capital is an intangible asset that contributes to TADB's financials and non-financials (developmental) performance. In 2021 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 "intellectual 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 2021 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 employees were capacitated at. The bank also leveraged 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).

27.2 Medical assistance

The Bank provides a medical cover for employees through designated medical insurance. The scheme covers the employee, one spouse and maximum of four dependents.

27.3 Health and safety

The Bank has a strong health and safety section 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.

27.4 Financial assistance to staff

Loans are available to all confirmed employees depending on the assessment of and discretion of management as to the need and circumstances. These facilities are governed by the approved staff credit policy.

27.5 Persons with disabilities

Applications for employment by disabled persons are always considered, bearing in mind the skills and talents 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.

DIRECTORS' REPORT (CONTINUED)

27.6 Employees benefit plan

The Bank has continued to pay the statutory benefits on behalf of staff directly to the Pension Funds, together with the Bank's staff benefits as per the Staff Regulation Policy.

This is to ensure compliance with relevant laws and to ensure the Bank stands out among its competitors in the market in staff attraction and retention.

27.7 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 78.

28. GENDER PARITY

The Bank is an equal opportunity employer. It embraces diversity and inclusion by bringing together experiences and perspectives arising from different cultures, religions, heritage, age, gender and other characteristics. Employee distribution by gender as 31 December 2021.

Gender	2021	%	2020	%
Female	22	28%	28	35%
Male	56	72%	48	65%
Total	**78**	**100%**	**76**	**100%**

29. RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in Note 34 to these financial statements.

30. POLITICAL AND CHARITABLE DONATIONS

The Bank did not make any political donations during the year. During the year ended 31 December 2021, the Bank spent TZS 20.7 million on various organizations and Programmes in the agriculture sectors by supporting crop boards, local government authorities, and exhibitions across the country. TADB supports community-based initiatives that lead to income generation for the communities across the country. This involves the defined support of specific Savings and Credit Cooperative Organisations (SACCOS), Agricultural Marketing Cooperative Societies (AMCOs) farmers, and agricultural groups.

In attaining socially-responsible behaviour, TADB's business model includes financing agricultural projects that have social impacts and uplifting 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.

31. ENVIRONMENTAL CONTROL PROGRAMME

The Bank recognizes that sustainable development is dependent upon a positive interaction between economic growth, social uplifting, and environmental protection.

As a responsible corporate citizen, 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 Bank minimizes its impact through the better use of its premises and inbuilt facilities to ensure that there is proper waste management.

32. OVERVIEW OF KEY PROJECT AND BUSINESS

- Approved loans worth TZS 126 billion were disbursed. The loans were addressed to finance AMCOS, Co-operatives, Small and Medium Enterprises (SME), Companies, Youth and Women projects. The key prioritized financing areas involved productivity (Input financing and Mechanized equipment i.e., tractors, combine harvesters, ploughs), Post-harvest Management (Warehouses, Cold storage facilities and Silos) and Enterprise Development to promote Agricultural Integrated Value Chain Financing Model (IVCF)
- The six subsectors of agricultural produce that were financed comprised of 9 value chains namely: 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, rish potatoes, cassava).
- In correspondence to the Government's effort to curb the post-harvest losses especially for the smallholder farmers – which accounts for up to 40% of the agricultural produce annually - the Bank financed the construction of 6 warehouses in the lake zone for cotton and coffee chains, and installation of 1 silo.
- The Bank continued with efforts to develop and intervene in the enterprise development priority area with an ultimate goal to comprehend with Integrated Agricultural Value Chain Financing model (IVCF). To this end, 7 big projects have been fully supported financially in the Southern highlands, eastern and central zone.

The financed projects under Integrated Agricultural Value Chain Financing

- The financed projects under Integrated Agricultural Value Chain Financing model (IVCF) included coffee projects, Dairy Projects, Beef fattening projects and Sunflower projects.

a) TADB's Eastern zone office disbursed loans worth TZS 61.6 billion for 2021 to key impactful projects. The loans disbursed benefited 16,982 smallholder farmers across the eastern zone.

b) All five (5) regions under TADB's Eastern zone (Dar es Salaam, Coast, Tanga, Morogoro and Zanzibar) were covered. Plan is to reach all districts under the Eastern zone**.**

c) Sugarcane - TZS 58.3 billion disbursed to support establishment of large-scale sugarcane plantation, irrigation infrastructure development and establishment of a sugar milling plant and enhance access to better inputs to support sugarcane out growers. TADB intervention in the sugar subsector is to enhance production and productivity aiming to minimize local sugar deficit and ultimately surplus local sugar demand for export market. Therefore, TADB's short term plan is to serve the country's foreign currency used to import sugar to cater for the local deficit while the medium-term plan is to support investment in the sector to meet the local demand and excess for export market. The large-scale sugar plantation is expected to impact over 3,600 sugar cane out growers in the surrounding area.

d) Fishing Subsector - TZS 0.764 billion disbursed to support establishment of new fish farming technology in the country (In Ponds Raceways systems - IPRS). The technology addresses both the productivity and water use efficiency for fish farming. Resulting to improved production and productivity relatively to other fish farming technologies. TADB for the year 2021 financed 1 fishing projects in the Eastern zone.

e) A further TZS 370 million was added to former advanced of TZS 1.5 billion. For the year 2021 TADB financed 1 new fish project and added funds to 4 others. Fishing cooperative society projects (fishermen), fish farms (cage fish farming) and 2 fish processing plants have been financed. This was done in order to venture into the whole value chain. TADB Continues to finance fishing subsector and this time around its in final stages to finance 11 fishing projects in Mwanza.

f) Poultry – TZS 0.7 billion disbursed to support expansion of two poultry projects for layers and broilers. The project entails construction of modern chicken houses, investment in modern poultry equipment and access to quality chicks (Day Old Chicks) and feeds.

g) Livestock (Dairy and Beef) – TZS 0.61 billion disbursed to support modernizing dairy factory, access to improved breed for dairy cattle, cattle fattening and establishment of meat processing plant. The project aims to enhance production and productivity of raw milk and dairy products, quality beef and processing beef for local market. Moreover, the project aligns with the Tanzania Livestock Masterplan (TLMP).

h) Mechanization - TZS 307.51 million disbursed to support access to modern farming technologies and mechanization. Three combine harvesters were funded to support paddy harvesting and ultimately reduce loss during harvesting. Moreover, two tractors were funded to support access to mechanization to smallholder farmers that promote expansion of new farms for crop farming.

i) A further TZS 588 million was financed to 10 individual farmers where 6 were funded with Combine harvesters and 4 were financed with tractors to support harvesting of Paddy and farming. The project has been successful as many farmers were impacted, yield increased, and post-harvest losses was reduced during the harvesting of paddy.

j) Moreover, in Simiyu there were mechanization and warehouse project worth TZS 610 million has been disbursed to this far and still ongoing with disbursement. 5 AMCOS have been funded with warehouses for storing Seed cotton, sunflower, green and yellow grams. 10 new tractors to increase acreage in mechanization have also been financed to AMCOS/Individuals on behalf of AMCOS. Simiyu produces about 50% of cotton in Tanzania and plan is to build more warehouses to replace old ones.

k) The Bank financed mechanization to 11 individuals in Western Zone serving more than 240 smallholder farmers in four districts.

l) Seed Variety – TZS 127.27 million disbursed to support seed variety production and multiplication for processing and distribution by the Government's Agricultural Seed Agency (ASA) to paddy farmers countrywide. The project addresses the availability of quality and quantity seed variety to paddy farmers.

m) Bank disbursed loans worth TZS 50.2 million for 2021. The loans disbursed benefited 186,320 smallholder farmers in Lake Zone.

n) District coverage was expanded from former 25 to 28 districts out of the 33 Districts in Lake Zone which was 9% increase. Plan is to have projects in all Lake Zone districts before end of 2022.

o) Cashew – TZS 150 million. TADB intervention to offer early payment to cashew farmers in Kyela while waiting for price rise and combat the issue of traders who purchase cashew at low price and farmers do not see value of the cashew. Farmers have benefited from being paid early payments where Amcos purchased all the cashew and the cashew was sent to Auction in Tunduru waiting for the consignment to be sold and farmers be paid second payment

p) Maize: TADB funded Farmers group in Ruvuma in collaboration with RUDI. TZS 584 million was funded to the farmers supplying quality inputs for Maize production in Ruvuma region.

q) Bank disbursed loans worth TZS 595.6 million to five Amcos producing beans through western zonal office. This financing benefited 641 small holder farmers.

r) Bank also funded TZS 182 million to youth in Buhigwe district which benefited 67 youth, 35 being female and 32 males.

Key interventions on Improving Post-Harvest Management

For the year 2021, TADB dedicated on supporting Post-Harvest Management to align with Agriculture Sector Development Programme Phase II (ASDP II), the 5-Year Development Plan Phase III (FYDP III), Annual Development Plans/Budgets (Ministry of Agriculture and Ministry of Livestock and Fisheries with an ultimate focus on mitigating and curb post-harvest losses encountered by farmers due to lack of reliable and adequate storage facilities.

TADB intervention in post-harvest management is addressed towards both directly funding for commodity trading and supporting construction of warehouses, silos and purchase of cold storage facilities in order to curb the prevailing post-harvest challenge by farmers being 'Price takers'' of which is attributed highly by lack of reliable and adequately storage facilities (warehouses, silos, and cold storage facilities for the fisheries) as they fail to possess higher negotiation power in the market.

The Bank achieved 50% of the targeted KPI as at 31st December 2021 on financing post-harvest management facilities (Warehouses, cold storage facilities, Silos). More efforts are dedicated in 2022 to enhance extension of financing volume for the post-harvest management facilities.

Performance under the priority was mixed. Satisfactory performance was recorded in funding commodity trading directly (43 trade deals were funded directly against the annual target of 28). Satisfactory performance was also recorded in funding storage warehouses (6 warehouses funded against the annual target of 8). However, performance in funding silos and cold storage facilities was low with only 1 silo and none of cold facilities funded against the annual target of 5 and 3 respectively. Similarly, funding of agro-processing factories was unsatisfactory with 12 facilities funded during the 10- months period being 54% of the annual target of 22.

The Bank focuses to extend post-harvest management financing in 2022 across different zones in Tanzania to impact immensely smallholder's farmers with a goal to promote financial inclusion, implementation of new designed credit facility (Warehouse Receipt Financing) in order to enhance stock financing for different chains.

Key interventions on increasing agricultural productivity

Performance under the priority was also mixed but skewed to good performance. Input financing of TZS 7.1 billion issued which is 50% of the annual target was achieved. On the other hand, satisfactory performance was recorded in funding agricultural mechanization (tractors, combined harvesters, planters etc.) with 34 mechanized units funded directly. No irrigation projects funded directly as funding of irrigation schemes has proved challenging owing to the complexities of the projects as it related to the technical, operational and sociological aspects of the same. The bank is in further stages of obtaining technical assistance from JICA and on boarding local irrigation engineers to further its irrigation development objectives.

Key interventions on promoting enterprise development

During the 12-months period, satisfactory performance was recorded in promoting enterprise development i.e. projects following the Integrated Agricultural Financing Model (IVCF). During the referred period, 17 projects following the IVCF model were developed and funded against the annual target of 20. In terms of numbers, with the TADB Board of Directors appointed, the Bank increased lending to reach TZS 162 billion by end of December 2021 an addition of TZS 3.3 billion in one quarter from TZS 32.2 billion recorded during the first half of the year. Notwithstanding, performance surpassed by 13.6% of the target of booking TZS 110 billion for the 12-months period. The business team is working to clear pending issues to allow disbursement of facilities worth TZS 145 billion out of TZS 230 billion already approved by the Board and Management Credit Committee.

The Small-holder Farmers Credit Guarantee Scheme (SCGS) highlights of 2021

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. Farmers 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 USD 65 billion (TZS 149.5 trillion) across Sub-Saharan Africa.

To address some of the challenges highlighted above, the Bank is managing the SCGS-a credit guarantee scheme which provides individual and portfolio credit guarantees of up to 50% of the principal loan value and funding to financial institutions lending to the agri-sector covering both the high perceived risks and liquidity challenges financial institutions face. 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 smallholder farmers and agri-SME market which is mostly left out when the normal checklist is applied.

During the 2021 financial year, the Programme received additional disbursements amounting to USD 538,273(TZS 1.24bn) bringing the total funds disbursed to USD 24.9 million (TZS 57 billion) out of the committed USD 25 million (TZS 32bn) for the Programme. Through this funding, TADB with partner financial institutions who will facilitate lending to the agri-sector of more than TZS 114 billion. This programme was funded by the Government of Tanzania through the long-term funding from IFAD.

As at 31 December 2021, TADB through its partner banks had managed to guarantee a cumulative value of TZS 125.02 billion (the guaranteed amount was TZS 62.51 billion). The value of new loans guaranteed in the 2021 financial amounted to TZS 61.74 billion up from TZS 27.78 billion in the 2020 financial year representing annual business growth of 122%.

These loans were mainly for farming inputs for primary production (31%) and financing MSME off-takers (68%). Cumulatively, the Bank financed more than 11,987 direct beneficiaries (farmers, AMCOs and MSMEs) and directly impacting in 857,023 indirect beneficiaries across the country.

Through this facility, 36 value chains/commodities were financed in 27 regions of Tanzania (mainland and Zanzibar), compared with 29 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.

DIRECTORS' REPORT (CONTINUED)

As at the end of 2021, the Programme had partnered up with 14 financial institutions; namely; NMB Bank Plc, Tanzania Commercial Bank, CRDB Bank Plc, Stanbic Bank Tanzania, Mufindi Community Bank Plc, Uchumi Commercial Bank, FINCA Microfinance Bank, Tandahimba Community Bank, Azania Bank, National Bank of Commerce, Absa Bank Tanzania, Maendeleo Bank Plc, Kilimanjaro Co-operative Bank Limited. The Programme's partner financial institutions have enabled the scheme to have a wide reach to smallholder farmers through the respective institutions' branch networks.

TADB is also in active discussions with three (3) additional banks with regards to the signing of the Small-holder Farmers Credit Guarantee Scheme (SCGS) contracts. These three (3) banks are Exim Bank Tanzania, National Commercial Bank of Africa, and the People's Bank of Zanzibar. TADB is in final stages in mobilizing additional funding from development partners to scale the SCGS.

Some of the key achievements during the year 2021 are highlighted below:

- The Programme continued to facilitate interest rate reductions for loans to small holder farmers at participating financial institutions from 20% to 14%-16%. All loans supported under the cash cover modality during the 2021 financial year were priced at interest rates of 16% or below hence providing beneficiaries with affordable credit access.
- The portfolio guaranteed has been performing well. The non-performing ratio of the portfolio as at 31 December 2021 was 11%. During the 2021 financial year, partner banks submitted claims amounting to TZS 1.2 billion but no claim payouts had been settled due to claim submissions failing to meet the claim payouts requirements farmers
- In an endeavour to revive the cotton sub-sector, TADB through partner financial institutions continued to support the 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 2.15 billion funded 51 tractors and 6 other mechanization equipment's This promotes the use of technology across 9 value chains including maize, paddy and sugarcane value chain as well as enhance crop production and minimizes post-harvest losses.
- In supporting storage facilities, TADB through SCGS supported construction of 21 new godowns and the renovation of 6 godowns in the cashew nut and coffee value chains in Mtwara and Geita respectively. Total storage capacity supported under this intervention amounted to 3,059 MT for the 2021 financial year. Storage solutions are pertinent to protect market prices for smallholder farmers hence supporting improved incomes and livelihoods for small-scale farmers.
- SCGS supported access to market for small-holder farmers whereby over TZS 41.9 billion supported MSMEs engaged in agro-processing industries. This intervention provided access to markets for over 18,000 small-holder farmers in 19 value chains.
- In 2022, TADB will focus in increasing access to financing for small-holder farmers through its SCGS products with a particular focus on women and youth smallholder farmers with envisaged revisions to guarantee cover from 50% to up to 70%. Furthermore, the scheme through its technical assistance allocated funding amounting to USD 1.43 million (TZS 3.3 billion) shall focus on developing our partner financial institutions to provide well-structured adapted solutions for smallholder farmers through the launching of the SCGS Agri-Finance Training Programme in partnership with BOT Academy and the Sokoine University of Agriculture. The Bank also expects enhancement of the SCGS fund through the AFD financing package expected in 2022.

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 farmers made through bank account compare to the past where it was mostly 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 per kilogram to TZS 1,200 per kilogram during 2020 season. Also, more than 5,000 women were employed, and LGA tax collection system has been enhanced.
- Through the engagements, a directive was issued to all cotton traders to ensure payments to farmers are done through bank accounts 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 farmers to the primary processing and increasing farmers crop prices from 800 shillings per kilogram to 920 shillings per kilogram.

- More than 90% of payments to cashew farmers a currently being made through bank accounts enhancing their credibility and financial records. Through this, TADB working with NMB Bank Plc 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 farmers' organisation enhancing markets and price discovery. Through TMX intervention, prices for cereals and other cash crops like cocoa and cashew are 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 (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 100 billion 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 farmers' crop funds and structuring investment through farmers' co-operatives.
- Agri insurance – The Bank prepared policy paper on exemption of value-added tax on agricultural crop insurance which was implemented during 2020/21 fiscal budget.

Resources mobilization and partnership success stories for 2021

- Tanzania Agriculture Gross Domestic Product (GDP) by Economic Activity at 2015 prices for 2019 as outlined in the NBS report, was TZS 30.8 trillion while loans disbursed in this agricultural sector were TZS 1.88 trillion which is 6.11% of output.
- This funding little compared to the significance of the agricultural sector which employs more than 70% of the population provides more than 65% of the industries raw materials and around 30% of the foreign currency.
- 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 specifically is at 75% while Vietnam is 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, 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, mobilize funds and other resources. The Bank 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 stakeholder 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 2022.

i. 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 technical assistance 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 (TZS 11.5 billion) of the fund during the year 2021.

ii. The African Guarantee Fund for SMEs (AGF) approved a guarantee line worth USD 10 million (TZS 23 billion) 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.

iii. The Bank had advanced discussion and preliminary agreements with Bill and Melinda Gates Foundation (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 (TZS 16.1 billion) in grant to support the programme.

iv. Funding worth GBP 80 million from the Agence Française de Développement (AFD) for institutional support to TADB is in progress. The Government has sent a request letter to AFD. Funding worth USD 500,000 (TZS 1.1 billion) has been allotted as technical assistance for the initial review of TADB's products and strategy by consultants. The consultants are currently conducting the review.

v. Africa Legal Support Facility (ALSF) partnership agreement is in final stages, this engagement will provide capacity building to the Bank's legal team. The ALSF support is worth USD 100,000 (TZS 230 million).

vi. 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 (TZS 1.4 billion) 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.

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

viii. 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 5 million (TZS 11.5 billion) through NSO to support the programme.

ix. TADB is 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 (TZS 920 million) in grant to support non-financial activities such as SHFs mobilization, training and BDS.

x. TADB signed an MoU with UNDP to partner in the establishment of people-centred investment facility. The facility aims at creating a conducive environment for investments through provision of 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.

xi. TADB joined Convergence Blended Finance Platform. Through this platform, the Bank 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.

xii. 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.

xiii. To scale up lending to the agri-sector, the Bank 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 billion and other projects worth TZS 120 billion are in the pipeline.

xiv. Moreover, the Bank engaged Tanzania Social Security Association (TSSA) which includes all Government pensions and insurance funds such as National Social Security Fund (NSSF), Public Service Social Security Fund (PSSSF), Workers Compensation Fund (WCF) and National Health Insurance Fund (NHIF) pitching for them to extend their investment portfolio to the agriculture sector which offers better returns compared to other sectors when structured well. Engagements are ongoing, and two projects on textile and apparel subsector are expected to be funded in 2021.

Studies and research

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 what was 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-centred approach to the industrialization of the cotton sub-sector to take the form of the following key strategies:

iv. 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).

v. 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.

vi. 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).

vii. 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.

viii. 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.

ix. "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.

x. 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

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

- 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 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. 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.
- 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.
- 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.
- A concept note and proposal were developed for application of grants worth USD 300,000 (TZS 690 million) from Alliance for a Green Revolution in Africa (AGRA) to support operationalization of the Integrated Value Chain.

33. PREJUDICIAL ISSUES

During the year ended 31 December 2021, there were no prejudicial matters to report.

34. AUDITOR

The Controller and Auditor General (CAG) is the statutory auditor of the Tanzania Agricultural Development Bank Limited 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, Cap 418 (RE 2021). Deloitte & Touche, Certified Public Accountants (Tanzania) were appointed by the CAG to audit the TADB's financial statements on his behalf, pursuant to Section 33 of the Public Audit Act, Cap 418 (RE 2021).

BY ORDER OF THE BOARD

Approved by the Board of Directors on ______________________________ 2022 and signed on its behalf by:

______________________ ____________________

Mr. Ishmael Kasekwa
Board Chairperson

Date:

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

The Companies Act, 2002 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The Directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. The financial statements have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act, 2002 and Banking and Finance Institutions (Development Finance) Regulations. The Directors are of the opinion that the financial statements present fairly, in all material respects, the state of the financial affairs of the Bank and of its financial results in accordance with International Financial Reporting Standards, the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 of Tanzania.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement. To enable the Directors to meet these responsibilities they set standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Bank and all employees are required to maintain the highest ethical standards in ensuring the Bank's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Bank is on identifying, assessing, managing and monitoring all known risks across the Bank. While operating risk cannot be fully eliminated, the Bank endeavours to minimise it by ensuring the appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Nothing has come to the attention of the Directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Board of Directors by:

Mr. Ishmael Kasekwa
Board Chairperson

Mr. Frank Nyabundege
Managing Director

DECLARATION OF THE DIRECTOR OF FINANCE FOR THE YEAR ENDED 31ST DECEMBER 2021

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 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 International Financial Reporting Standards (IFRS) and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as statement of Directors responsibility statement on an earlier page.

I, **Kaanaeli Gabriel Nnko** being the Director of Finance of Tanzania Agricultural Bank hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2021 have been prepared in compliance with International Financial Reporting Standards (IFRS) and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of Tanzania Agricultural Bank in accordance with applicable standards and statutory requirements for the year ended 31 December 2021 and that have been prepared based on properly maintained financial records.

Signature: ....
CPA Kaanaeli Gabriel Nnko
DIRECTOR OF FINANCE
NBAA Membership No. ACPA 2211

Date: ....

INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

To: Chairperson of the Board of Directors,
Tanzania Agricultural Development Bank Limited,
P.O Box 63372,
DAR ES SALAAM

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

I have audited the financial statements of the Tanzania Agricultural Development Bank Limited (TADB), set out on pages 36 to 103, which comprise the statement of financial position as at 31 December 2021 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements presents fairly in all material respects the financial position of the Tanzania Agricultural Development Bank Limited (TADB) as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) and International Standards of Supreme Audit Institutions (ISSAI). My responsibilities under those standards are further described in the section below entitled "Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements". I am independent of Tanzania Agricultural Development Bank Limited (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.

INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)

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 to communicate in my report.

Key audit matter	How my audit addressed the key audit matter
IFRS 9 – Financial Instruments, which became effective on 1 January 2018, introduced impairment based on expected credit loss (ECL) model rather than the incurred loss model previously applied under IAS 39. At 31 December 2021, the Bank had a total gross loans and advances of TZS 163.7 billion with expected credit losses of TZS 9.7 billion. Key judgements and estimates in respect of the measurement of expected credit loss (ECL) include the following: • Allocation of assets to stage 1, 2, or 3 using criteria in accordance with the accounting standard; • Accounting interpretations and modelling assumptions used to build the ECL model; • Completeness and accuracy of data used to calculate the ECL; • Inputs and assumptions used to estimate the impact of multiple economic scenarios;	In evaluating the impairment against loans and advances, we assessed the judgements and assumptions used by the Directors and my procedures included the following: • I reviewed the appropriateness and compliance of the ECL model to the standard regarding the methods used to determine historical default rates, macroeconomic variables and adjustments, expected cash flows, credit conversion factors and effective interest rates; • I reviewed the appropriateness of the definition of default, cure definition and significant increase in credit risk (SICR) of the model; • I performed a review of the approach used to segment portfolio into similar risk characteristics; • I performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Bank's portfolio, risk profile, credit risk management practices and the macroeconomic environment; • I tested the criteria used to allocate an asset to stage 1, 2 or 3 in accordance with IFRS 9; I tested assets in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage;
• Compliance of the model to the standard in computation matrices used in the ECL model for calculation of Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (AD); and • Accuracy and adequacy of the financial statement disclosures.	• With the support of our IFRS 9 experts, I tested the assumptions, inputs and formulas used in a sample of ECL models. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) for a sample of models; • To verify data quality, I tested the data used in the ECL calculation by reconciling to source systems; • I further assessed the base case and alternative economic scenarios, including challenging probability weights and comparing to other scenarios from a variety of external sources; • I assessed whether forecasted macroeconomic variables were appropriate, such as GDP, interest rates and interbank lending rates; • With the support of our IFRS 9 experts, I challenged the correlation and impact of the macroeconomic factors to the ECL including how non-linearity was captured; and • I assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards including the transaction disclosures. I found that the assumptions and judgements applied in determining impairment against loans and advances were appropriate and that the amount raised was reasonable and adequate.

INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)

Other Information included in the Bank's 2021 Directors' Report

The Directors are responsible for the other information including the report of Directors. The other information does not include financial statements and my 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 the knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so. The Directors are responsible for overseeing the Bank's financial reporting process.

Responsibilities of the Controller and Auditor General

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

instructions applicable thereto have been duly observed and expenditures of public monies have been properly authorized.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. My conclusions

INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)

are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

REPORT ON COMPLIANCE WITH LEGISLATIONS

Compliance with Banking and Financial Institutions Regulations

As required by Banking and Financial Institutions Act, 2006 and its regulations I report to you based on my audit that the Bank has generally complied with the requirement of the Banking and Financial Institutions Act, 2006 and its regulations.

Compliance with the Public Procurement Laws

Subject matter: Compliance audit on procurement of works, goods and services
I performed a compliance audit on procurement of works, goods and services in the Tanzania Agricultural Development Bank Limited (TADB for the financial year 2020/21 as per the Public Procurement Laws in Tanzania.

Conclusion
Based on the audit work performed, I state that procurement of works, goods and services of Tanzania Agricultural Development Bank Limited (TADB is generally in compliance with the requirements of the Public Procurement Laws in Tanzania

Charles E. Kichere
Controller and Auditor General,
Dodoma, United Republic of Tanzania.
May 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021	2020
		TZS '000	TZS '000
Interest and similar income	6	31,382,213	27,754,673
Interest and similar expense	7	(1,530,262)	(1,851,504)
Net interest and similar income		29,851,951	25,903,169
Expected credit losses	12	(2,706,768)	(3,456,600)
Net interest and similar income after expected credit loss charge		27,145,183	22,446,569
Foreign exchange gain	8	90,314	701,503
Revenue grants	9	662,366	644,917
Other income	11	40,169	-
Fee and commission income	10	1,696,995	889,898
Personnel expenses	13	(8,126,406)	(7,865,265)
Other operating expenses	14	(3,580,273)	(2,946,828)
Depreciation and amortisation	15	(1,898,289)	(1,986,547)
Profit before tax		16,030,059	11,884,247
Income tax expense	16	(5,081,951)	(3,659,190)
Profit for the year		**10,948,108**	**8,225,057**
Other comprehensive income		-	-
Total comprehensive income for the year		**10,948,108**	**8,225,057**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Notes	2021 TZS '000	2020 TZS '000
Assets			
Cash and balances with Bank of Tanzania	20	33,702,724	130,783,133
Balances due from banks	21	152,056,393	118,805,165
Investment in government securities	22	15,863,797	-
Loans and advances to customers	23	151,956,271	120,816,421
Other assets	24	1,430,557	817,786
Property and equipment	17	1,906,833	2,365,168
Intangible assets	18	515,161	347,656
Right-of-use assets	19	1,500,264	499,870
Deferred tax asset	25	3,915,288	2,442,315
Total assets		**362,847,288**	**376,877,514**
Equity			
Share capital	35	268,202,304	60,000,000
Retained earnings		27,209,759	16,261,651
Capital grant	26	252,172	456,946
Total equity		**295,664,235**	**76,718,597**
Liabilities			
Lease liabilities	19	1,561,677	517,593
Special customer deposits	29	1,524,477	29,400,258
Special funds	30	54,940,200	53,749,571
Current tax liabilities	16	1,766,382	1,364,136
Other liabilities	27	4,024,643	3,115,295
Deferred grant income	31	3,365,674	3,555,309
Long term borrowings	32	-	208,456,755
Total liabilities		**67,183,053**	**300,158,917**
Total liabilities and equity		**362,847,288**	**376,877,514**

These financial statements from pages 122 to 177 were authorised for issue by the Board of Directors on ____________2022 and signed on its behalf by:

Mr. Ishmael Kasekwa
Board Chairperson

Mr. Frank Nyabundege
Managing Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

Description	Share capital TZS '000	Capital grant TZS '000	Retained earnings TZS '000	Total equity TZS '000
At 1 January 2020	60,000,000	1,000,003	8,036,594	69,036,597
Profit for the year	-	-	8,225,057	8,225,057
Amortisation of capital grant	-	(543,057)	-	(543,057)
At 31 December 2020	**60,000,000**	**456,946**	**16,261,651**	**76,718,597**
At 1 January 2021	60,000,000	456,946	16,261,651	76,718,597
Profit for the year	-	-	10,948,108	10,948,108
Additional share capital	208,202,304	-	-	208,202,304
Amortisation of capital grant	-	(204,774)	-	(204,774)
At 31 December 2021	**268,202,304**	**252,172**	**27,209,759**	**295,664,235**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 TZS '000	2020 TZS '000
Cash flows from operating activities:			
Profit before tax		16,030,059	11,884,247
Adjustments for:			
Depreciation and amortisation	15	1,898,289	1,986,547
Capital grant amortised	26	(204,774)	(543,057)
Revenue grant utilised	31	(457,592)	(101,860)
Interest expense on lease liability	7	133,079	59,763
Lease modification loss		166,794	-
Interest expense on long-term borrowing	7	1,467,496	1,572,233
Gain on disposal of property and equipment	11	(26,375)	-
Foreign currency exchange gain		(109,846)	(237,436)
Expected credit loss	12	2,706,768	3,456,600
Operating cash flow before working capital changes		**21,603,898**	**18,077,037**
Increase in loans and advances to customers		(33,846,618)	(21,800,613)
(Increase)/decrease in other assets		(612,771)	27,347
Increase in other liabilities		909,348	1,519,024
Cash used in operating activities		**(11,946,143)**	**(2,177,205)**
Interest paid	32	(1,563,656)	(1,317,782)
Tax paid	16(b)	(6,152,678)	(3,804,193)
Net cash used in operating activities		**(19,662,477)**	**(7,299,180)**
Cash flow from investing activities:			
Purchase of government securities	22	(15,863,797)	-
Purchase of property and equipment	17	(682,257)	(131,061)
Purchase of intangible assets	18	(349,743)	(279,245)
Proceeds from sale of property and equipment		55,734	-
Net cash used in investing activities		**(16,840,063)**	**(410,306)**
Cash flow from financing activities:			
(Decrease)/increase in deposits	29&30	(27,875,781)	28,768,379
Increase in special funds		1,190,629	4,639,190
Payment of lease liability	19(b)	(861,001)	(745,357)
Grant received during the year	31	267,957	3,197,131
Net cash flows from financing activities		**(27,278,196)**	**35,859,343**
Net change in cash and cash equivalents		(63,780,736)	28,149,857
Cash and cash equivalents at beginning of the year		250,141,649	221,991,792
Cash and cash equivalents at end of the year	33	**186,360,913**	**250,141,649**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1.0 REPORTING ENTITY

Tanzania Agricultural Development Bank Limited ("TADB" or the "Bank") is a state-owned Development Finance Institution (DFI) is incorporated in Tanzania under the Companies Act, 2002, and is domiciled in Tanzania. The Bank is regulated by the Bank of Tanzania. The Bank's key roles include catalysing lending to the agriculture sector and providing short, medium and long-term credit facilities for the development of agriculture in Tanzania. The address of its registered office which is also its principal place of operation is disclosed on page iii.

2.0 Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS. The Bank's financial statements have been prepared under the historical cost convention, as modified by the revaluation of debt and equity instruments designated at fair value through other comprehensive income statement.

2.1 Statement of compliance

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Bank financial statements are disclosed in Note 4.

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 (noncurrent).

2.3 Going concern

The financial statements have been prepared on a going concern basis.

2.4 Functional and presentation currency

The financial statements are presented in Tanzania Shillings (TZS) which is the functional and reporting 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). This 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 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).

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 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.

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 tax

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 tax

The current 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 tax

Deferred tax is recognised, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, using the liability method. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred 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 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 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 tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.3.4 Value added tax

- Revenues, expenses and assets are recognised net of the amount of value added tax except:
- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

Receivables and payables that are stated with the amount of value added tax included.

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

3.4 Financial assets and financial liabilities

Financial asset

- Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories under IFRS 9:
- Amortised cost
- Fair value through other comprehensive income (FVOCI)

Designated at fair value through profit or loss (FVTPL)

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.

Financial assets at amortised cost

- A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):
- held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and

the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

- The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

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

The SPPI test

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

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

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

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

Most of the financial assets of the Bank including cash and balances with bank of Tanzania, loans and advances to customers, balances due from other banks, investments in government securities and other assets are measured at amortised cost.

Initial recognition of financials assets

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

All financial assets, with the exception of loans and advances to customers and balances due from banks, 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 marketplace. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due from banks when funds are transferred to the Bank.

Subsequent measurement

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

Impairment of financial assets

Expected credit losses (ECL) is recognised on debt financial assets classified as 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 considerations of impairment 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 30 days 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 FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

3.4.3.5 The calculation of expected credit loss (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 ECL calculations are outlined below and the key elements are, as follows:

- Probability of Default (PD) 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.
- Exposure at Default (EAD) 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.
- Loss Given Default (LGD) 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.

Expected Credit Loss 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 12-month ECL. stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from stage 2. the 12-month ECL is calculated as the portion of lifetime ECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. the bank calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. these expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original.
Stage 2	A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a significant increase in credit risk (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 lifetime expected credit losses. 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 for determining whether the financial asset is 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 recognizes 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 Lifetime Expected Credit Losses undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. 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 is determined by considering the account stage, the number of instalments due and the contractual instalment that is required by the calculated amortization schedule. Both principal and interest amount are considered for Exposure at Default.

Expected loss on loans to banks, financial investments and significant loans to government institutions are 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).

3.4.3.6 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.

3.4.4 Financial liabilities

Financial liabilities can either be classified as held for trading, designated at fair value through profit and loss and 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 and recognised in interest expense.

3.4.5 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; and

- 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.

3.6.6 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.

3.5.3 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

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.

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.

3.5.4 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 profit or loss and other income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. 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 rate (percentage per annum)
1	Computer equipment	4	25
2	Office equipment	8	12.5
3	Furniture and fittings	8	12.5
4	Motor vehicles	4	25
5	Lease hold premises improvement	8	12.5

**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 net carrying amount.

3.9 Borrowings

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 months until it lapses. The Bank recognizes such a benefit as a liability as well as an expense in the profit or loss. The expense is recognized 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.

3.1.4 Related party transactions

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 personnel expenses. None of the key management personnel had or has any significant influence with any entity with whom the Bank has had significant transactions with.

3.1.5 Comparatives

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

3.5.16 New standards and interpretations

The new and amended standards and interpretations are effective for annual periods beginning on or after 1 January 2021, unless otherwise stated. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

3.5.16.1 New standards and amendments to published standards effective for the year ended 31 December 2021

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.

3.16.1.1 Interest rate benchmark reform – phase 2: amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (ibor) is replaced with an alternative nearly risk-free interest rate (rfr). The amendments include the following practical expedients:

- a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- provide temporary relief to entities from having to meet the separately identifiable requirement when an rfr instrument is designated as a hedge of a risk component

Phase 2 amendments are relevant to the Group because it has non-derivative financial liabilities which are priced using the USD LIBOR.

Details of the non-derivative financial instruments affected by the interest rate benchmark reform together with a summary of the actions taken by the Group to manage the risks relating to the reform and the accounting impact appear in note 6.2.3 Financial Risk- Interest rate risk.

If additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other amendments. note 6.2.3 provides the required disclosures related to this amendment

3.16.1.2 Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

3.16.1.2 New standards and amended standards issued but not yet effective

The following new or revised standards, amendments and interpretations are not yet effective for the year ended 31 December 2020 and have not been applied in preparing these annual financial statements.

S/N	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.

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.

3.16.2.8 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 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 Expected credit losses on financial assets

The measurement of expected credit losses (ECL) 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 (SICR).

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 rating model which assigns PDs to the individual assets.
- The Bank's criteria for assessing SICR and so allowances for financial assets could be measured on a lifetime ECL 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 recognized 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 minimize 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.

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 behaviour. 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 (section 14) of the report of the Directors). The directorate of credit and portfolio management, reporting to the BBC, 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's 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 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's 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 subjects 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 mitigation

Wherever warranted, the Bank attempts 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

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; and
- 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
	TZS'000	TZS'000
Mortgages over residential and commercials	153,901,323	197,931,159
Government and other Development Financial Institutions Guarantees	31,346,189	31,346,189
Corporate Guarantee	70,000,000	70,000,000
Charges over business assets (Debenture)	74,164,204	111,362,064
	329,411,716	**410,639,412**
Gross loan and advances exposure	**163,703,486**	**163,703,486**

5.2.2.4 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 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 loss 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 Lifetime Expected Credit Losses (LECL) 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

5.2.2.5 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.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- 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.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- 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).

5.2.2.6 Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed 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.

5.2.2.7 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, 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.

2021	Stage 1 TZS '000	Stage 2 TZS '000	Stage 3 TZS '000	Total TZS '000
Loans and advances to customers	105,341,943	42,510,864	9,956,584	157,809,391
Loans and advances to staff	5,647,605	233,657	12,833	5,894,095
Balances due from banks	152,545,531	-	-	152,545,531
Other assets	624,321	-	-	624,321
Bank balances	33,815,382	-	-	33,815,382
	297,974,782	**42,744,521**	**9,969,417**	**350,688,720**
% contribution	**85%**	**12%**	**3%**	**100%**

2020	Stage 1 TZS '000	Stage 2 TZS '000	Stage 3 TZS '000	Total TZS '000
Loans and advances to customers	86,751,517	33,650,710	4,917,340	125,319,567
Loans and advances to staff	2,796,169	-	160,503	2,956,672
Balances due from banks	118,805,165	-	-	118,805,165
Other assets in scope	138,061	-	-	138,061
Bank balances in scope	130,861,227	-	-	130,861,227
	339,352,139	**33,650,710**	**5,077,843**	**378,080,692**
% contribution	**90%**	**9%**	**1%**	**100%**

Other Assets exclude non-financial instruments such as prepayments, staff valuation, and stationery stock.

Below is the summary of provisions per category

2021	Stage 1 TZS '000	Stage 2 TZS '000	Stage 3 TZS '000	Total TZS '000
Loans and advances to customers	2,096,335	4,530,736	2,578,014	**9,205,085**
Loans and advances to staff	47,753	66,830	337,284	**451,867**
Balances due from banks	489,138	-	-	**489,138**
Other assets in scope	3,273	-	-	**3,273**
Government Securities	236	-	-	**236**
Bank balances in scope	112,659	-	-	**112,659**
Total	**2,749,394**	**4,597,566**	**2,915,298**	**10,262,258**

2020	Stage 1 TZS '000	Stage 2 TZS '000	Stage 3 TZS '000	Total TZS '000
Loans and advances to customers	1,357,317	1,113,101	4,354,554	**6,824,972**
Loans and advances to staff	41,986	-	131,870	**173,856**
Balances due from banks	475,257	-	-	**475,257**
Other assets in scope	3,309	-	-	**3,309**
Bank balances in scope	78,094	-	-	**78,094**
Total	**1,955,963**	**1,113,101**	**4,486,424**	**7,555,488**

The ECL recognized in profit and loss, which is the movement (increase/decrease on ECL 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 recognized during the year, as well as releases for financial instruments de-recognized 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 derecognized during the period and write-offs of allowances related to assets that were written off during the period.

5..2.2.8 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 categorized by the industry sectors of its counterparties:

2021	Customer loans TZS' million	Government securities TZS' million	Staff loans TZS' million	Loans to banks TZS' million	Cash and bank balances TZS' million	Other assets TZS' million	Total TZS' million
Industrial Commodities	73,776	-	-	-	-	-	73,776
Cereals	34,284	-	-	-	-	-	34,284
Livestock	27,139	-	-	-	-	-	27,139
Horticulture	2,931	-	-	-	-	-	2,931
Fishing	-	-	-	-	-	-	-
Forestry	75	-	-	-	-	-	75
Oilseeds	6,505	-	-	-	-	-	6,505
Poultry	2,447	-	-	-	-	-	2,447
Financial Institutions	-	15,864	-	152,056	33,702	-	201,622
Other	-	-	4,799	-	-	1,431	6,230
Total	**147,157**	**15,864**	**4,799**	**152,056**	**33,702**	**1,431**	**355,009**

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	75,629	-	-	-	-	75,629
Cereals	41,189	-	-	-	-	41,189
Livestock	4,740	-	-	-	-	4,740
Horticulture	2,479	-	-	-	-	2,479
Fishing	1,283	-	-	-	-	1,283
Financial Institutions	-	2,957	119,280	130,865	-	253,102
Other sectors	-	-	-	-	138	138
Total	**125,320**	**2,957**	**119,280**	**130,865**	**138**	**378,560**

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.

5.3.3 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.

5.3.4 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 including maintaining both the liquidity coverage ratio (LCR).

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.

5.3.5 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 2021	0 – 3 Months TZS'000	4 – 6 Months TZS'000	7 – 12 months TZS'000	Above 1 year TZS'000	Total TZS'000
FINANCIAL ASSETS					
Cash and balances with Bank of Tanzania	33,702,724	-	-	-	33,702,724
Investment in government securities	-	-	-	15,863,797	15,863,797
Balances due from banks	25,710,152	86,878,905	22,609,518	16,857,818	152,056,393
Loans to customers	-	18,349,144	28,128,164	105,478,963	151,956,271
Other assets	590,662	-	-	-	590,662
Total	**60,003,538**	**105,228,049**	**50,737,682**	**138,200,578**	**354,169,847**
FINANCIAL LIABILITES					
Special customer deposits	-	-	-	1,524,477	1,524,477
Special funds	-	-	-	54,940,200	54,940,200
Other liabilities	1,589,330	-	-	1,589,330	1,589,330
Total	**1,589,330**	**-**	**-**	**58,054,007**	**58,054,007**
Maturity gap as at 31 December, 2021	**58,414,208**	**105,228,049**	**50,737,682**	**80,146,571**	**296,115,840**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Liquidity risk analysis

Contractual maturity of undiscounted cash flows of financial assets and liabilities

31 December 2020	0 – 3 Months TZS'000	3 – 6 Months TZS'000	7 – 12 months TZS'000	Above 1 year TZS'000	Total TZS'000
FINANCIAL ASSETS					
Cash and balances with Banks in Tanzania	119,529,185	3,271,837	8,060,205	-	130,861,227
Loans to banks	24,785,525	81,087,858	1,832,070	11,574,969	119,280,421
Loans to customers	4,180,835	12,080,023	27,986,352	84,831,870	129,079,080
Other assets	138,061	-	-	-	138,061
Total	**148,633,606**	**96,439,718**	**37,878,627**	**96,406,839**	**379,358,789**
FINANCIAL LIABILITES					
Long term borrowing	-	254,451	-	208,202,304	208,456,755
Special customer deposits	29,400,258	-	-	-	29,400,258
Special funds	-	-	-	49,490,247	49,490,247
Other liabilities	1,848,973	-	-	1,266,322	3,115,295
Total	**31,249,231**	**254,451**	**-**	**258,958,873**	**290,462,555**
Maturity gap as at 31 December, 2020	**117,384,375**	**96,185,267**	**37,878,627**	**(162,552,034)**	**88,896,234**

Maturity gap analysis shows that the Bank has favourable 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

5.5.1 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.

5.5.2 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

31-Dec-21	Level 1 TZS '000	Level 2 TZS '000	Level3 TZS '000	Total TZS '000
Financial assets				
Cash and balances with Bank of Tanzania	-	33,702,724	-	33,702,724
Investment in government securities	-	15,863,797	-	15,863,797
Balances due from banks	-	152,056,393	-	152,056,393
Loans and advances to customers	-	151,956,271	-	151,956,271
Other assets	-	590,662	-	590,662
	-	**354,169,847**	**-**	**354,169,847**
Financial liabilities				
Special deposits/funds	-	56,464,677	-	56,464,677
Other liabilities	-	1,589,330	-	1,589,330
	-	**58,054,007**	-	**58,054,007**

31-Dec-20	Level 1 TZS	Level 2 TZS	Level 3 TZS	Total TZS
Financial assets				
Cash and balances with Bank of Tanzania	-	130,783,133	-	**130,783,133**
Balances due from banks	-	118,805,165	-	**118,805,165**
Loans and advances to customers	-	120,816,421	-	**120,816,421**
Other assets	-	134,753	-	**134,753**
	-	**370,539,472**	**-**	**370,539,472**
Financial liabilities				
Other liabilities	-	**296,091,605**	-	**296,091,605**

5.5.3 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. The Bank does not have a very accurate basis for calculating the fair value of some of the financial instruments at amortized cost. However, its overall assessment is that their fair values would not be significantly different from the amortized 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:

At 31 December 2021	Carrying amount TZS'000	Fair value TZS'000
Financial assets		
Cash and balances with Bank of Tanzania	33,702,724	33,702,724
Balances due from banks	152,056,393	152,056,393
Investment on government securities	15,863,797	15,863,797
Loans and advances to customers	151,956,271	151,956,271
Other assets	590,662	590,662
	354,169,847	**354,169,847**
Liabilities		
Special deposits	1,524,477	1,524,477
Special funds	54,940,200	54,940,200
Other liabilities	1,589,330	1,589,330
	58,054,007	**58,054,007**
Net financial asset	**296,115,840**	**296,115,840**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

At 31 December 2020	Carrying amount TZS'000	Fair value TZS'000
Financial assets		
Cash and balances with Bank of Tanzania	130,783,133	130,783,133
Loan to banks	118,805,165	118,805,165
Loans and advances to customers	120,816,421	120,816,421
Other assets	134,753	134,753
	370,539,472	**370,539,472**
Liabilities		
Long term borrowings	208,456,755	208,456,755
Special customer deposits	29,400,258	29,400,258
Special funds	53,749,571	53,749,571
Lease liabilities	517,594	517,594
	292,124,178	**292,124,178**
Net financial asset	**78,415,294**	**78,415,294**

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 due from 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 and therefore reprices at balance sheet date. Management has considered the impact of borrowings with 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

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

Share capital and reserves	2021 TZS'000	2020 TZS'000
Share capital	268,202,304	60,000,000
Retained earnings	27,209,759	16,261,652
Capital grants	252,172	456,946
	295,664,235	**76,718,598**
Less:		
Prepaid expenses	(136,642)	(612,963)
Deferred tax asset	(3,798,834)	(2,136,337)
	(3,935,476)	**(2,749,300)**
Total tier 1 capital	**291,728,759**	**73,969,298**
Total available capital	**291,728,759**	**73,969,298**
Total risk weighted assets	**194,458,885**	**199,061,426**
	Bank's Ratio	
	2021	**2020**
Tier 1 capital	**150%**	**37%**
Tier 1 + Tier 2 capital	**150%**	**37%**

The increase in the total regulatory capital in the 2021 is mainly due to the conversion of long-term loan towards share capital and contribution of the current-year profit. 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.

	2021 TZS'000	2020 TZS'000
6.0 INTEREST AND SIMILAR INCOME		
Interest on loans and advances to customers	13,446,039	11,597,001
Interest on staff loans	222,888	166,722
Interest on treasury bonds	509,877	-
Income from call account	2,109,335	1,817,700
Interest from interbank placement	15,094,074	14,173,250
	31,382,213	**27,754,673**
7.0 INTEREST AND SIMILAR EXPENSES		
Interest expense on long-term borrowings	1,467,496	1,572,233
Interest expense on short-term deposits	(70,313)	219,508
Interest on lease liability	133,079	59,763
	1,530,262	**1,851,504**
8.0 FOREIGN EXCHANGE GAIN		
Foreign exchange - sales revenue	90,314	502,723
Forex revaluation gain	-	198,780
	90,314	**701,503**
10.0 REVENUE GRANTS		
Capital grant – MIVARF (Note 26)	204,774	543,057
FSDT grant (Note 30)	457,592	101,860
	662,366	**644,917**
11.0 FEES AND COMMISSIONS		
Loan upfront income	1,278,872	509,373
Credit guarantee risk sharing income	418,123	380,525
	1,696,995	**889,898**
12 OTHER INCOME		
Gain on disposal of property and equipment	26,375	-
Others	13,794	-
	40,169	**-**

12.0 EXPECTED CREDIT LOSSES

As at 31 December 2021	2021 TZS'000	2020 TZS'000	Movement TZS'000
Loans to customers (note 23)			
Stage 1	2,096,335	1,357,318	739,017
Stage 2	4,530,736	1,113,100	3,417,636
	6,627,071	**2,470,418**	**4,156,653**
Stage 3	2,578,014	4,354,555	(1,776,541)
	9,205,085	**6,824,973**	**2,380,112**
Staff loans			
Stage 1	47,753	41,988	5,765
Stage 2	66,831	-	66,831
	114,584	**41,988**	**72,596**
Stage 3	337,284	131,869	205,415
	451,868	**173,857**	**278,011**
Other financials assets			
Due from banks (note 21)	489,138	475,257	13,881
Bank balances (note 20)	112,658	78,094	34,564
Government securities (note 22)	236	-	236
Other assets (note 24)	3,273	3,309	(36)
	605,305	**556,660**	**48,645**
	10,262,258	**7,555,490**	**2,706,768**

	2021 TZS'000	2020 TZS'000
13.0 PERSONNEL EXPENSES		
Wages, salaries and allowances	5,435,269	5,266,284
Social security cost	617,948	456,835
Skills development levy	257,418	199,188
Workman's compensation fund	26,438	23,436
Employment benefits	740,135	894,509
Medical insurance	337,621	260,192
Employee insurance cost	101,583	33,215
Leave and transfer cost	448,659	481,902
Learning and development cost	317,269	93,731
Other employment cost	(155,934)	155,973
	8,126,406	**7,865,265**
14.0 OTHER OPERATING EXPENSES		
Occupancy and utilities cost	458,616	509,371
Marketing and advertising expenses	426,735	512,585
ICT related cost	320,417	346,775
Audit cost	202,839	130,500
Legal & consulting cost	107,206	132,565
Travels & business monitoring cost	728,061	777,917
Credit guarantee charges	194,970	111,285
Insurance cost	42,412	41,866
Board meeting expenses	160,058	4,361
Motor vehicle fuel & maintenance cost	341,554	189,955
Other operating cost	597,405	189,648
	3,580,273	**2,946,828**
15.0 DEPRECIATION AND AMORTISATION		
Depreciation of property and equipment (Note 17)	1,111,234	1,255,599
Amortization of intangible assets (Note 18)	182,238	27,630
Amortization of right-of-use assets (Note 19)	604,817	703,318
	1,898,289	**1,986,547**

	2021 TZS'000	2020 TZS'000
16.0 INCOME TAX		
a. Income tax expenses		
Current income tax relating to prior year	496,641	-
Current income tax relating to current year	6,058,283	4,979,521
	6,554,924	4,979,521
Deferred tax - current year (note 25)	(1,472,973)	(1,320,331)
	5,081,951	**3,659,190**

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

	2021 TZS'000	2020 TZS'000
Profit before tax	**16,030,059**	**11,884,247**
Tax calculated at the statutory income tax rate of 30% (2020:30%)	4,809,017	3,565,274
Effects of non-qualifying capital allowances	33,687	147,167
Permanently disallowed expenditures	239,247	140,224
Income not subject to tax	-	(193,475)
Income tax expense	**5,081,951**	**3,659,190**

b. Income tax payable

	2021 TZS'000	2020 TZS'000
At 1 January 2021	1,364,136	188,809
Income tax	6,554,924	4,979,520
Tax paid	(6,152,678)	(3,804,193)
At end of the year	**1,766,382**	**1,364,136**

17. PROPERTY AND EQUIPMENT

	Computer Equipment TZS'000	Office Equipment TZS'000	Furniture & Fixtures TZS'000	Motor vehicles TZS'000	Leasehold Improvements TZS'000	WIP TZS'000	Total TZS'000
Cost							
At 1 January 2020	2,860,953	602,027	754,858	1,220,911	992,128	-	6,430,877
Additions	107,508	1,871	2	-	21,680	-	131,061
At 31 December 2020	**2,968,461**	**603,898**	**754,860**	**1,220,911**	**1,013,808**	**-**	**6,561,938**
At 1 January 2021	2,968,461	603,898	754,860	1,220,911	1,013,808	-	6,561,938
Additions	84,420	-	-	431,590	-	166,247	682,257
Disposals	(12,886)	(425)	(75,842)	(173,191)	-	-	(262,344)
At 31 December 2021	**3,039,995**	**603,473**	**679,018**	**1,479,310**	**1,013,808**	**166,247**	**6,981,851**
Depreciation							
At 1 January 2020	1,618,621	102,898	194,879	653,214	371,559	-	2,941,171
Charge for the year	679,381	71,821	98,637	219,166	186,593	-	1,255,598
At 31 December 2020	**2,298,002**	**174,719**	**293,516**	**872,380**	**558,152**	**-**	**4,196,769**
At 1 January 2021	2,298,002	174,719	293,516	872,380	558,152	-	4,196,769
Charge for the year	548,922	75,604	89,578	213,629	183,501	-	1,111,234
Eliminated on Disposal	(12,886)	(425)	(46,483)	(173,191)	-	-	(232,985)
At 31 December 2021	**2,834,038**	**249,898**	**336,611**	**912,818**	**741,653**	**-**	**5,075,018**
Net Book Value							
At 31 December 2020	**670,459**	**429,178**	**461,344**	**348,531**	**455,656**	**-**	**2,365,168**
At 31 December 2021	**205,957**	**353,575**	**342,407**	**566,492**	**272,155**	**166,247**	**1,906,833**

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

18.0 INTANGIBLE ASSETS

	Software TZS '000	Work in progress TZS '000	Total TZS '000
Cost			
At 1 January 2020	125,955	-	125,955
Additions	5,515	273,730	279,245
At 31 December 2020	**131,470**	273,730	**405,200**
At 1 January 2021	**131,470**	273,730	**405,200**
Additions	349,743	-	349,743
Transfers	273,730	(273,730)	-
At 31 December 2021	**754,943**	**-**	**754,943**
Accumulated amortisation			
At 1 January 2020	29,914	-	29,914
Charge for the year	27,630	-	27,630
At 31 December 2020	**57,544**	**-**	**57,544**
At 1 January 2021	**57,544**	**-**	**57,544**
Charge for the year	182,238	-	182,238
At 31 December 2021	**239,782**	**-**	**239,782**
Net book value			
At 31 December 2021	**515,161**	**-**	**515,161**
At 31 December 2020	**73,926**	**273,730**	**347,656**

Intangible assets relate to software which are amortized on a straight line over the period of the license granted by the vendor.

No intangible asset was pledged as security for liabilities as at 31 December 2021.

19. 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 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 assets**	**2021 TZS'000**	**2020 TZS'000**
At 1 January	1,203,188	-
Additions	1,605,211	1,203,188
At 31 December	**2,808,399**	**1,203,188**
Amortisation		
At 1 January	703,318	-
Charge for the year	604,817	703,318
At 31 December	1,308,135	703,318
Net book value	**1,500,264**	**499,870**
b) **Lease liabilities**		
At 1 January	517,594	-
Additions	1,772,005	1,203,188
Finance cost – Included as interest expenses	133,079	59,762
Repayments of lease liabilities	(861,001)	(745,357)
	1,561,677	**517,593**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	2021 TZS'000	**2020 TZS'000**
20.0 CASH AND BANK BALANCES		
Cash with central bank	1,454,911	5,542,538
Cash in operating accounts	5,947,922	11,135,764
Call deposits with banks - local	26,298,198	96,861,354
Cash cover in other banks	114,351	17,321,571
	33,815,382	**130,861,227**
Expected credit losses	(112,658)	(78,094)
Net cash and bank balance	**33,702,724**	**130,783,133**
21.0 BALANCES DUE FROM BANKS		
Placements with other banks	149,989,554	117,654,234
Accrued interest on placements	2,555,977	1,626,188
	152,545,531	**119,280,422**
Expected credit losses	(489,138)	(475,257)
Net due to banks	**152,056,393**	**118,805,165**
22.0 INVESTMENT IN GOVERNMENT SECURITIES		
Premium on purchased treasury bonds	354,156	-
Cost of treasury bonds	15,000,000	-
Interest receivable	509,877	
	15,864,033	**-**
Expected credit losses	(236)	-
Net investment in government security	**15,863,797**	**-**
	2021 TZS'000	**2020 TZS'000**

23.0 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers (gross)	152,200,667	120,750,287
Accrued interest receivable	5,608,724	4,569,280
Gross loans	**157,809,391**	**125,319,567**
Expected credit losses on loans and advances to customers	(9,205,085)	(6,824,972)
Suspended interest	(1,447,532)	-
Net loans to customers	**147,156,774**	**118,494,595**
Loans and advances to staff	5,840,279	2,956,672
Accrued interest on loans and advances to staff	53,816	-
Staff loans fair valuation adjustment*	(642,731)	(460,990)
	5,251,364	**2,495,682**
Expected credit losses	(451,867)	(173,856)
Net loans and advances to staff	**4,799,497**	**2,321,826**
Total net loans and advances	**151,956,271**	**120,816,421**
Gross loans		
Advances to customers (gross)	152,200,667	120,750,288
Loans and advances to staff (gross)	5,840,279	2,956,672
Accrued interest on loans to customers	5,608,724	4,569,280
Accrued interest on loans and advances to staff	53,816	-
	163,703,486	**128,276,240**

**Staff loan fair valuation adjustment is the difference between present value of all cash flows from staff loan by using market rate (fair value) and the nominal amount of the loan.*

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.

	2021 TZS'000	2020 TZS'000
Southern Coast Cluster	-	1,555,121
Lake Zone Cluster	48,590,199	77,168,497
Eastern Cluster	79,885,585	34,494,160
Southern Highlands	13,944,807	6,323,660
Central Cluster	13,691,221	3,319,646
Northern Cluster	-	1,310,475
Western Zone	1,533,552	990,956
Zanzibar Cluster	164,027	157,052
	157,809,391	**125,319,567**

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.

	2021 TZS'000	2020 TZS'000
Cashew nuts	452,603	-
Coffee	4,249,330	35,306,058
Sorghum	-	16,175,779
Beef	13,652,579	11,835,973
Sugarcane	58,687,225	16,041,914
Maize	34,092,062	9,560,946
Cotton	10,188,235	7,646,725
Paddy	7,782,011	4,724,733
Sunflower	5,417,913	5,882,376
Diary	13,486,136	11,893,740
Fishing	-	1,697,189
Poultry	1,932,581	1,287,302
Tomato	-	319,240
Avocado	486,789	473,774
Palm Oil	784,716	654,641
Onions	-	394,695
Irish Potatoes	1,005,898	812,158
Honey	74,788	68,907
Others	5,516,525	543,417
	157,809,391	**125,319,567**

24.0 OTHER ASSETS

	2021 TZS'000	2020 TZS'000
Prepayments	136,642	222,044
Prepayment - staff loan fair valuation	703,253	460,990
Other receivables	593,935	138,061
	1,433,830	**821,095**
Expected credit losses on other assets	(3,273)	(3,309)
Net closing value	**1,430,557**	**817,786**
The movement in expected credit losses for other assets is as follows:		
At 1 January	(3,309)	(3,350)
Release for the year	36	41
At 31 December 2021	**(3,273)**	**(3,309)**

25.0 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 tax asset is attributed to the following items:

	2021 TZS'000	2020 TZS'000
Accelerated depreciation for tax purpose	(660,201)	140,291
Other temporary differences	(12,390,758)	(7,555,490)
Total giving to deferred tax	**(13,050,959)**	**(7,415,199)**
Deferred tax assets thereof	**(3,915,288)**	**(2,442,315)**

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

At 1 January 2021	(2,442,315)	(1,121,984)
Credit to profit and loss	(1,472,973)	(1,320,331)
Closing deferred tax assets	**(3,915,288)**	**(2,442,315)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

26.0 CAPITAL GRANT

During the financial year 2017, the Bank received funds from Marketing Infrastructure, Value Addition and Rural Finance Support Programme (MIVARF) amounting to TZS 2.6 billion. The amount was to be used for system upgrades, motoring of various Bank's projects and capacity building in respect of its Rural Financing Innovation, Product Development and Youth and Women Interventions.

	2021 TZS'000	2020 TZS'000
At 1 January		
Opening balance	456,946	1,000,003
Current year amortisation	(204,774)	(543,057)
At 31 December	**252,172**	**456,946**

27.0 OTHER LIABILITIES

Accrued staff benefits	941,713	1,266,322
Suppliers & accruals	1,589,330	1,848,973
Other tax payables	637,513	-
Deferred guarantee fees income	697,796	-
Interest payable transferred from borrowings	158,291	-
	4,024,643	**3,115,295**

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 12 months or more after the reporting date.

28.0 EXPECTED CREDIT LOSSES ALLOWANCE

	2021 TZS'000	2020 TZS'000
Term loans to customers	9,205,085	6,824,972
Staff loans	451,867	173,857
Placements with banks	489,138	475,257
Bank balances	112,658	78,094
Other assets	3,273	3,309
Government securities	236	-
	10,262,257	**7,555,489**

29.0 SPECIAL CUSTOMER DEPOSITS

	2021 TZS'000	2020 TZS'000
Short-term deposits	-	28,849,495
Cash cover	1,523,919	397,722
Interest payable	558	153,041
	1,524,477	**29,400,258**

30.0 SPECIAL FUNDS

AGRA Matching Grant	1,535,253	1,499,271
SCGS funds	47,553,534	52,250,300
RIF fund	5,851,413	-
	54,940,200	**53,749,571**

i) 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 500MT and or to purchase milling machines with capacity of milling and packing 30MT of maize per day.

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.

ii) 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 farmers 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 USD 20 million, first tranche of USD 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 (TZS 7.8 billion) bringing the total funds disbursed to USD 24.4 million (TZS 56.1 billion) out of the committed USD 25 million (TZS 57.5 billion) for the Programme.

iii) 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.

31.0 DEFERRED GRANT INCOME

2021	Opening balance TZS'000	Grants received TZS'000	Grants utilized TZS'000	Deferred grants TZS'000
Deferred grants - SCGS fund	**3,091,323**	267,957	(384,459)	2,974,821
Deferred grants - FSDT fund	463,986	-	(73,133)	390,853
	3,555,309	**267,957**	**(457,592)**	**3,365,674**

2020	Opening balance TZS'000	Grants received TZS'000	Grants utilized TZS'000	Deferred grants TZS'000
Deferred grants - SCGS fund	-	3,091,323	-	**3,091,323**
Deferred grants - FSDT fund	460,038	105,808	(101,860)	463,986
	460,038	**3,197,131**	**(101,860)**	**3,555,309**

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.

Deferred grants - FSDT fund
This is a USD 0.6 million (TZS 1.4 Billion), around USD 0.24 million disbursed (TZS 552 million) 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.

32.0 LONG-TERM BORROWINGS

	2021 TZS'000	2020 TZS'000
At the beginning of the year	208,456,755	208,202,304
Loan conversion to share capital	(208,202,304)	-
Interest expense	1,467,496	1,572,233
Interest paid	(1,563,656)	(1,317,782)
At the end of the year	**158,291**	**208,456,755**
Reclassified to other liabilities	**(158,291)**	**-**
	-	**208,456,755**

Maturity analysis:

Current	-	254,451
Non-current	-	208,202,304
	-	**208,456,755**

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 19 December 2016 worthy Unit of Account (UA) 67.27 million which is equivalent to USD 93.5 million (TZS 208 billion).

The Bank performed well by meeting all obligations with the lender, inclusive of timely interest settlement.

Following the Government of Tanzania's commitment of making sure that the Bank is adequately capitalized, thorough the Ministry of Finance and Planning, the loan amount TZS 208,202,304,115 was converted to share capital on 31 December 2021. The transaction did not involve cash movement, as such it is considered as a non-cash transaction for the purpose of the statement of cash flow.

33.0 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, e.g. debt investments with fixed redemption dates that are acquired within three months of their maturity. During the year ended 31 December 2021, cash and cash equivalents comprise of the following:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	2021 TZS'000	2020 TZS'000
Balances with Bank of Tanzania (excluding SMR)	1,454,911	-
Loans to banks (Interbank placements)	152,545,531	119,280,422
	186,360,913	**250,141,649**

34.0 RELATED PARTY TRANSACTIONS AND BALANCES

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

a) Due from related parties

	2021 TZS'000	2020 TZS'000
Loans and advances to senior management	**1,167,463**	**703,501**

Loans to senior management carry 4% interest. Difference between interest charged by Bank 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.

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

	2021 TZS'000	2020 TZS'000
Salaries	2,783,844	2,013,439
End of the term allowance	83,434	77,237
	2,867,278	**2,090,676**

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

c) The Directors' remuneration

Fees and other emoluments paid to Directors of the Bank during the period amounted to TZS 160 million (2020: TZS 4 million). Details of payment to individual directors will be tabled at the annual general Meeting.

35.0 SHARE CAPITAL

The Bank's authorised and fully paid-up share capital for at the end of 31 December 2021 is as follows:

	2021 TZS'000	2020 TZS'000
800,000,000 ordinary shares of TZS 1,000 each	800,000,000	800,000,000
Issued and fully paid up:		
268,202,304 ordinary shares of TZS 1,000 each (2020: 60,000,000 ordinary shares of TZS 1,000 each)	268,202,304	60,000,000

36.0 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 2021, 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:

	2021 TZS'000	2020 TZS'000
Undrawn commitments	12,067,609	11,953,013

b)Operating lease commitments

The present value of the future minimum lease payments under non-cancellable operating leases are included in the statement of financial position and disclosed in note 19. As indicated in the statement of financial position, the Directors are of the view that these commitments will be sufficiently covered by future net revenues and funding.

c) Legal claims

There were five (5) pending cases as of 31 December 2020. A legal opinion has been made assessing the likelihood of losing/wining the pending cases. The Directors are of the opinion that the Bank will win all the cases.

d) Capital commitments

The Management certifies that there was no capital commitment as at 31 December 2021 (2020: Nil).

37.0 SHORT-TERM SPECIAL PURPOSE DEPOSIT

As an apex national-level bank for Agriculture, TADB has a key role of being a catalyst for the delivery of short, medium and long- term credit facilities and technical expertise for the development of agriculture in Tanzania. One of the key roles of TADB is coordination. This function enables the bank to administer funds on behalf of the Government and other financial and development partners to develop the Agriculture sector in Tanzania. To achieve this objective, TADB has an in-house agency fund management department which oversees and coordinate these activities under the oversight of management, the board and other specific Governing bodies which are created basing on the structure of the projects.

During the year 2019 the Bank got a mandate to coordinate and manage funding to The Cereals and Produce Board of Tanzania (CPB) to purchase raw cashew nuts harvest for the season 2018/2019 during implementation of the Government intervention to the sub-sector. In order to facilitate this transaction, the Bank mobilized funds/deposits from various organizations to facilitate the transaction. The transaction is managed off-balance sheet and its impact to the financials is as summarized on the note below;

	2021 TZS'000	2020 TZS'000
At 1 January	359,002,536	630,252,013
Deposits received during the year	-	28,849,495
Interest on deposits (Note 7)	-	219,508
Funds paid (loan balance and interest)	-	(300,318,480)
At 31 December	**359,002,536**	**359,002,536**
Previously reported as:		
Loan receivable (asset)	-	330,000,000
Special deposits (liabilities)	-	359,002,536
Impact on profit or loss		
Interest on deposits (Note 7)	-	219,508
Fees and commission	-	-
Net impact to profit or loss	**-**	**219,508**

The outstanding balance of TZS 359,002,536 000 as at 31 December 2021 was subsequently cleared.

38.0 EVENTS SUBSEQUENT TO THE YEAR END

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

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