Driving Sustainable Agri-transformation

Integrated Annual Report 2022

TADB
Tanzania Agricultural Development Bank
"The Farmers' Bank"

https://www.tadb.co.tz/

Contacts

HEAD OFFICE

4th Floor, Acacia Estate Building,
Plot 84 - 14109 Kinondoni,
Kinondoni Rd.,
P. O. Box 63372,
Dar es Salaam, Tanzania.

Tel: + +255 22 2923500
Toll Free Line: 0800110120
E-mail: info@tadb.co.tz

ZONAL OFFICES

Central Zone

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

Southern Highlands Zone

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

Southern Zone

RAHA LEO Building,
P. O. Box 331,
Mtwara, Tanzania.
Telephone: +255 232935632
Email: mtwara@tadb.co.tz

Lake Zone

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

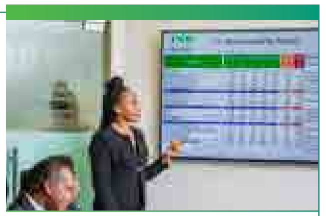
Eastern Zone

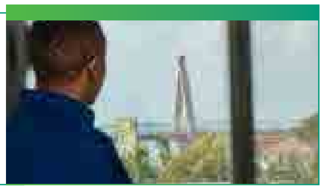
Plot No. 102,
Kinondoni Road,
P. O. Box 75835,
Dar es Salaam, Tanzania.
Email: dar@tadb.co.tz

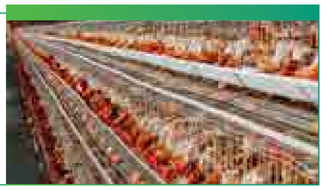
Western Zone

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

Contents







About **this Report**

This Annual Report and Financial Statements have been prepared for the period beginning January 1, 2022, to December 31, 2022 being the accounting period for the bank's operations.

This report includes non-financial performance, our approach to business, an overview of our performance, key strategic projects in driving our impact 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 in agricultural financing has a broad vision to drive impact through innovative approaches. Impact, therefore, sits at the core of the Bank's mandate towards transforming the agricultural sector 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 partners. 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).

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).

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

Our **Role**

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 Banks 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 agricultural sector.

About **our Theme**

Driving Sustainable Agri-transformation

2022 was a year that saw new global challenges such as the Russia-Ukraine conflict that has had impact on the global economy. The hiking prices of oil and fertilizers brought about challenges and need for strategic approaches to address the challenges. TADB embedded financial inclusive and sustainable approaches into realizing its mandate in the sector amidst the global economy shock. The approaches included setting innovative finance solutions, partnerships with key strategic stakeholders in the agricultural sector and expansion of the Smallholder Credit Guarantee Scheme (SCGS) network to impact more SME's.

TADB initiatives aimed to sustainably promote transformation of the agricultural sector. Other initiatives included adoption of climate-smart agriculture practices and financial management trainings. The theme thus captures the sustainability approaches towards agriculture transformation.

Foreword

Agriculture remains the backbone of our economy, employing 65% of our population and contributing 26.9% to our GDP.

Hon. Dr. Mwigulu Nchemba
Minister of Finance

As the Minister of Finance and Planning, I am pleased to present this foreword for the annual report of the Tanzania Agricultural Development Bank (TADB) for the year 2022. This report highlights the significant achievements and milestones reached by the bank in its mission to drive agricultural transformation in Tanzania.

Agriculture remains the backbone of our economy, employing 65% of our population and contributing 26.9% to our GDP. Recognizing the importance of this sector and the mandate of TADB to provide financial services and support to the agricultural sector, facilitating its growth and development, the Government has continued to support TADB.

After a sustaining recovery in 2021, the non-respite year 2022 characterized by the Russia-Ukraine conflict, had a substantial impact on the global economy. The effects ranging from global hiking price of fertilizers and food produce such as wheat and edible oils. The challenges called for the government intervention to subsidize fertilizers to enable farmers access fertilizers at an affordable price.

During the year, the government, through the Ministry of Finance and Planning, facilitated the signing of €80 million loan contract between the bank and the French Development Agency (AFD). Also, the bank through partnership with Bill and Melinda Gates Foundation signed a $7million for a dairy project in Tanzania. The funds are intended to catalyse agriculture financing and enhance sectoral transformation.

With the government's support, TADB's operations has continued to prioritize initiatives aimed at promoting inclusive and sustainable agricultural practices. Through the bank's Smallholder Credit Guarantee Scheme (SCGS) and co-financing products, TADB has significantly increased credit accessibility among producers, processors, and other players in the value chain. Through these approaches and other initiatives, TADB has continued catalysing access to credit, increase productivity, and increase capital among sector participants have increased.

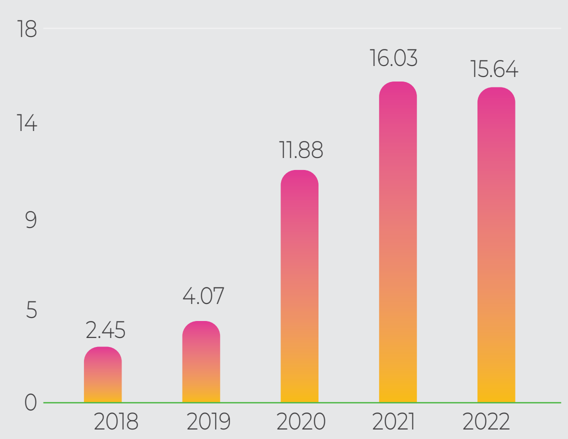
In line with the government's commitment to sustainable development, TADB prioritized financing climate-smart agriculture. The bank participated in local and global dialogues on climate change, such as COP7, and facilitated individuals' access to modern farming technologies for climate change adaptation.

I extend my appreciation to the board of directors, management team, and all TADB employees for their relentless commitment into driving agricultural development and bringing about positive and sustainable transformation in the agricultural sector.

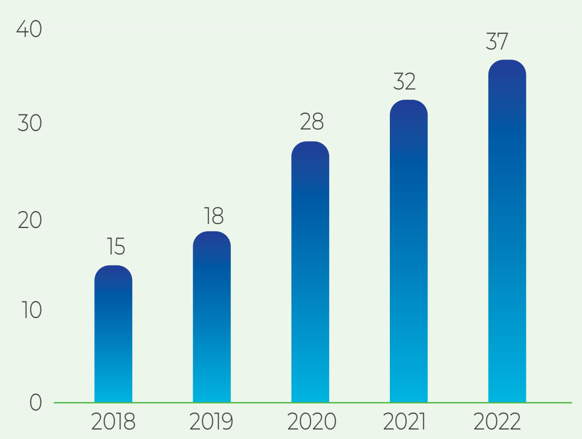
I also, extend gratitude to our development partners, both domestic and international, for their continued support and collaboration in realizing the objectives of the bank. Together, we can build a vibrant, resilient, and sustainable agricultural industry that contributes to the socio-economic development of our nation.

Highlights **of our Performance**

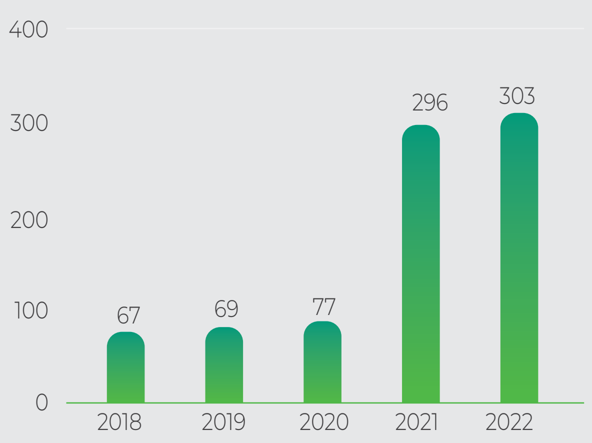
Profit Before Tax - TZS Billion



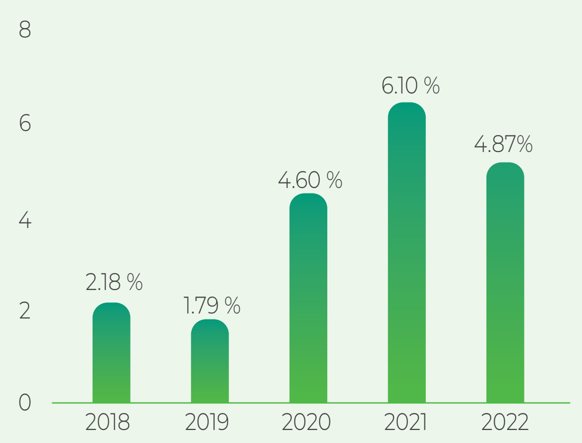
Total Income - TZS Billion



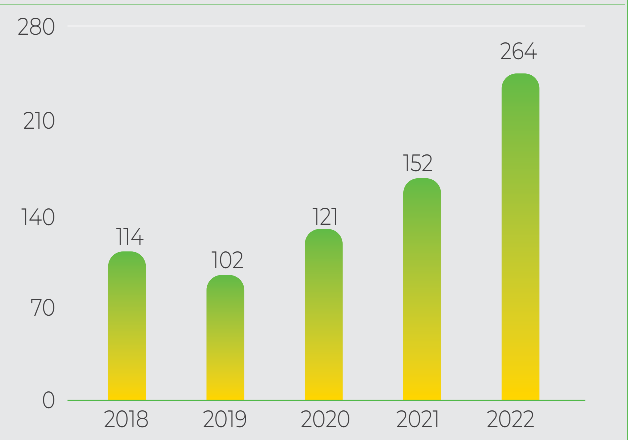
Shareholders' Funds - TZS Billion



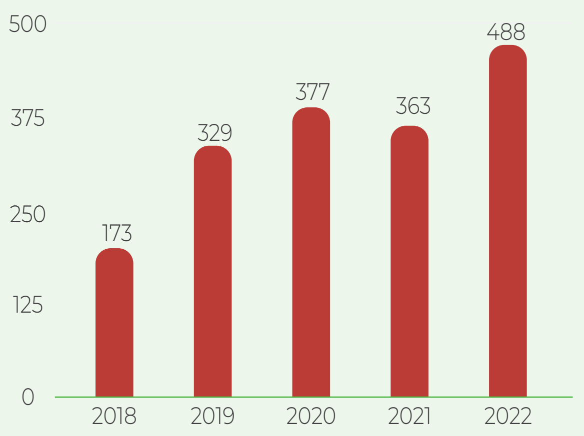
NPL Performance (5 year trend)



Loans and Advances - TZS Billion



Total Assets - TZS Billion



Agricultural **Related Ministries**

Ministry of Industry and Trade

Hon. Dr. Ashatu Kijaji
Minister of Industry and Trade

In the financial year 2022/23, the Government through Tanzania Agricultural Development Bank provided loans amounting to 47.042 billion Tanzanian Shillings to facilitate investment in processing and value addition industries for various crops in the country.

The loans that were provided have contributed to investment in 5 new industries and 9 existing industries through working capital loans and asset financing for the purchase of modern machinery. The loans provided to the new industries include the following:

i. A rice milling and livestock feed manufacturing plant with the capacity to process 192 tons of rice per day and produce 240 tons of livestock feed per day, located in Kahama,
ii. A cooking oil production plant using sunflower with the capacity to produce 1 ton of crude oil per hour and 2,000 liters of refined oil per day. This plant is located in Kigoma.
iii. Two milk processing factories located in Tanga and Kahama, with the capacity to process 120,000 liters and 10,000 liters of milk respectively.
iv. A grape sauce production plant located in Dodoma, with the capacity to produce 3 million liters of sauce per year.

Additionally, a total of 8.725 billion Tanzanian Shillings were provided to support Small and Medium processing enterprises for crops such as sunflower, sunflower oil extraction, maize milling, and rice milling in various regions of the country.

> “Additionally, a total of 8.725 billion Tanzanian Shillings were provided to support Small and Medium processing enterprises for crop value addition such as sunflower oil extraction, maize milling, and rice milling in various regions of the country.

I would like to inform this esteemed Parliament that the large sugar production plant in Bagamoyo, established through a loan from the Agricultural Development Bank, has already commenced production by producing 1,500 tons of sugar per day and is expected to increase production to 2,500 tons by the fourth year. This plant is expected to reduce the sugar production gap and dependence on imported sugar.

In the financial year 2023/24, TADB will continue to provide loans to stakeholders in the agriculture, livestock, and fisheries sectors, based on the needs and opportunities in the entire value chain, including loans for processors and value adders of agricultural, livestock, and fisheries products.

Ministry of Agriculture

Hon. Hussein Bashe
Minister of Agriculture

In the financial year 2022/23, the Government, through the Agricultural Development Bank, provided loans totalling 169.656 billion shillings to promote production in the agriculture sector. Out of these funds, a total of 108.973 billion shillings were disbursed through direct lending, while 60.683 billion shillings were disbursed through the Smallholder Credit Guarantee Scheme.

Out of the loans disbursed, 64.86 billion shillings have been allocated for the purchase of farm preparation, inputs and operation of agricultural activities. Additionally, 2.559 billion shillings have been allocated for the purchase of 39 tractors and 3 combined harvesters, and 5.516 billion shillings have been allocated for the construction of warehouses to help reduce post-harvest losses. A total of 17.525 billion shillings have been disbursed to support various activities.

Furthermore, loans totalling 57.486 billion shillings have been provided to 5 cooperative societies and 2 companies to facilitate the purchase of coffee in the regions of Kagera, Mara, and Mbeya in the 2022/23 coffee season. A total of 65.067 million metric tons of coffee were collected and sold in markets, including the Moshi Coffee Market, with some being exported directly. Additionally, this marks the 5th season in which the Agricultural Development Bank has provided loans to support coffee purchasing. Alongside this, a total of 17.525 billion shillings were disbursed to support the purchase of crops such as rice, beans, sunflower, maize, grapes, sesame, and vanilla in various regions of the country.

> “Out of the loans disbursed, 64.86 billion shillings have been allocated for the purchase of farm preparation, inputs and operation of agricultural activities.

In the loans provided, 21.710 billion shillings were disbursed to 3 cooperative societies and 1 company to facilitate the purchase of cotton in the 2022/23 season. These loans have enabled the purchase of 12,626,321 metric tons of cotton in the regions of Shinyanga, Mwanza, and Geita, continuing the loan provision for cotton production that began in the 2021/22 year.

In the financial year 2023/24, TADB will continue to provide loans within the agricultural value chain, including participating in the implementation of the “Building a Better Tomorrow” (BBT-YIA) program, which aims to attract young people to engage in the production and trade of agricultural products.

Agricultural **Related Ministries**

Ministry of Livestock and Fisheries

Hon. Abdallah Ulega
Ulega Minister of Livestock and Fisheries

In the financial year 2022/23, the Government, through the Agricultural Development Bank, disbursed loans amounting to 17.05 billion Tanzanian shillings in the Livestock and Fisheries sectors. Out of these funds, 13.702 billion shillings were allocated to producers in the livestock sector, while 3.348 billion shillings were allocated to the fisheries sector.

The disbursed loans were directed towards the following areas:

i. Poultry farming, where loans worth 9.96 billion shillings were provided.
ii. Cattle fattening, with loans amounting to 996.5 million shillings allocated to 13 projects in the regions of Tabora, Pwani, and Manyara.
iii. Procurement of 243 breeding animals and construction of modern dairy cattle sheds, with loans totaling 1.306 billion shillings.
iv. Pig farming, with 7 projects in the regions of Pwani and Mara receiving loans amounting to 397.701 million shillings.
v. Production of livestock vaccines, with loans of 469.892 million shillings disbursed.
vi. Fish farming in ponds (aquaculture), with a project in the Pwani region receiving a loan of 195.701 million shillings.
vii. Purchase and sale of fish from Lake Victoria, with a total of 55 million shillings allocated to two projects in Ukerewe.
viii. Fish farming in cages (cage fish farming), with 2 projects and fishing in the Mara region receiving a total of 2.798 billion shillings.

The Agricultural Development Bank has continued to make significant contributions to the development of the dairy sector through loans to milk processors in the country. In the year 2022/23, the Bank provided loans to two milk processing plants in Tanga and Kagera, with capacities to process 120,000 liters and 10,000 liters of milk respectively. Furthermore, the Agricultural Development Bank will continue to provide loans to milk processors in the country to reduce the challenges of informal milk distribution systems that endanger consumer health and deprive the Government of revenue.

On the other hand, the Ministry of Livestock and Fisheries, in collaboration with the Agricultural Development Bank, is implementing the Blue Economy for Growth (BE4G25) project aimed at enhancing seaweed production and fish farming through the provision of low-cost loans for the purchase of modern boats, construction of fish farming cages, and the provision of professional advice. So far, 400 applications from primary cooperative societies (AMCOS), companies, and individuals have been received and are being analyzed. This project is being implemented in all regions surrounding the major lakes (Victoria, Tanganyika, Rukwa, and Nyasa) and the coastal regions adjacent to the Indian Ocean.

Message **from the Chairman**

"Our performance gives us confidence that we are on track to achieving our strategic and financial objectives."

Mr. Ishmael Kasekwa
Board Chairman

Dear esteemed shareholders,
I am delighted to present to you the performance report for the financial year 2022, providing a comprehensive overview of the achievements, challenges, and future prospects of the Tanzania Agricultural Development Bank (TADB).

The year 2022 marked a remarkable period of progress and growth for TADB, as we steadfastly pursued our mission to drive agricultural transformation in Tanzania. Despite the unprecedented challenges caused by the war between Russia and Ukraine impacting global trade, we remained resolute in our commitment to supporting the agricultural sector and contributing to the overall economic development of our nation.

Throughout the year, we achieved several significant milestones that I am proud to share with you today. Our dedicated efforts were focused on empowering farmers, agribusinesses, and rural communities through innovative financial solutions and strategic partnerships. By providing tailored financial services and fostering sustainable agricultural practices, we have made substantial contributions to the sector's development and uplifted numerous livelihoods across the country.

Financial Performance:

I am delighted to report that TADB achieved remarkable financial results during the year 2022. The bank was able to attain its highest Profit after tax level of TZS 11.19 billion since inception, despite strategically reducing interest rates to single digit rates to better support our expanding customer base.

As a result, our loan portfolio witnessed a significant increase, reaching an impressive TZS 264 billion, representing a 73.6% growth compared to the previous year. This growth is a testament to our dedication in providing accessible and affordable financing options to farmers, agribusinesses, and other stakeholders in the agricultural value chain.

Total Income
36.8 Billion
Up from 32.3 Billion in 2021

Profit Before Tax
16 Billion
Up from 16 Billion in 2021

Loans And Advances
263.8 Billion
Up from 151.9 Billion in 2021

Total Assets
447.8 Billion
Up from 362.8 Billion in 2021

The Bank continues to hold healthy capital adequacy levels at 97%. The strong capital levels position the Bank well for future growth as investment into transforming the Bank is key to unlocking growth. As we launched our strategic focus for the next five years this level of capital will be effectively and efficiently deployed into the operations.

Supporting Agricultural Development:

In line with our commitment to fostering collaboration, TADB forged strategic partnerships with various stakeholders in the agricultural ecosystem. We worked closely with government agencies, development partners, and other financial institutions to leverage resources, share knowledge, and promote synergies for the benefit of the sector.

Our collaboration with international development organizations enabled us to access additional funding, technical expertise, and capacity-building opportunities. By joining forces with local banks and microfinance institutions, we expanded our reach and improved our ability to reach underserved communities in remote areas, enhance food security, promote job creation and reduce rural poverty.

Governance:

More than ever, good leadership is key to withstanding the major challenges of the banking landscape and delivering superior performance. Therefore, the Board remains committed to maintaining the highest standards of good governance in line with regulatory guidelines and international best practices. The Board has established sub-committees to provide comprehensive oversight across risk management, audit, information technology, and other key functions essential to achieving the Bank's strategic objectives. I commend the Board and its sub-committees for carrying out their responsibilities with competence, professionalism, and proficiency in accordance with their respective terms of reference.

I would also like to take this opportunity to extend a warm welcome to our newest board member, Mrs. Assumpter Nshunju Mshama. We are thrilled to have you join our esteemed team of directors. Mrs. Mshama has extensive experience and expertise in leadership having being a long serving established member of parliament (MP) and will undoubtedly be a valuable addition to our board, bringing fresh perspectives and insights as we navigate the future of agricultural development in Tanzania. We look forward to your contributions and collaboration in shaping TADB's strategic direction and achieving our shared vision.

Outlook and strategy:

Looking ahead, TADB is well-positioned to capitalize on emerging opportunities and address evolving challenges in the agricultural sector. As we look towards 2023, the bank is set to launch its Medium Term Strategy 2023 2027 where In the next five years, we have envisioned to be a champion development finance institution for sustainable agricultural transformation in Tanzania.
I assure you that we have the right mix of skills and experience in our Board, Management team and the employees, who will continue to lead the Bank forward. We will continue to be deliberate in our actions as we drive to not only grow the business, but to also ensure that we impact our employees and the communities we operate in.

Appreciation:

I am grateful for the unwavering commitment and hard work demonstrated by the Board of Directors, the management team, and all the dedicated staff members of TADB throughout the financial year 2022. Your dedication and efforts have played a significant role in our success and growth.

Furthermore, I would like to express my heartfelt appreciation and gratitude to H.E Dr. Samia Suluhu Hassan, President of The United Republic of Tanzania, for her continuous support and guidance. Her vision and leadership have been instrumental in creating a conducive environment for TADB to thrive.

I would also like to extend my gratitude to The Ministry of Finance and Planning and all regulatory bodies and authorities for their unwavering trust, support, and guidance. Our continued partnerships and cooperation have been invaluable in navigating the challenges and seizing the opportunities that we encountered throughout the year.

We remain committed to accelerated execution of our plans to grow shareholder value and i am confident that with our collective dedication and hard work, we will continue to achieve new milestones and contribute to the development and growth of Tanzania's agricultural sector.

Chapter 1
Corporate Profile

About **TADB**

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 champion development finance institution for agricultural transformation in Tanzania.

Our Mission

To catalyze agricultural transformation through innovative financing solutions in order to develop sustainable and inclusive value chains, contribute to economic growth, food security and poverty reduction.

Core Values

Integrity

We advocate and demonstrate high levels of integrity in all aspects, including ethical conduct, trans- parency, respect, objectivity and account- ability in discharging our duties.

Learning & Innovation

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

Team Work

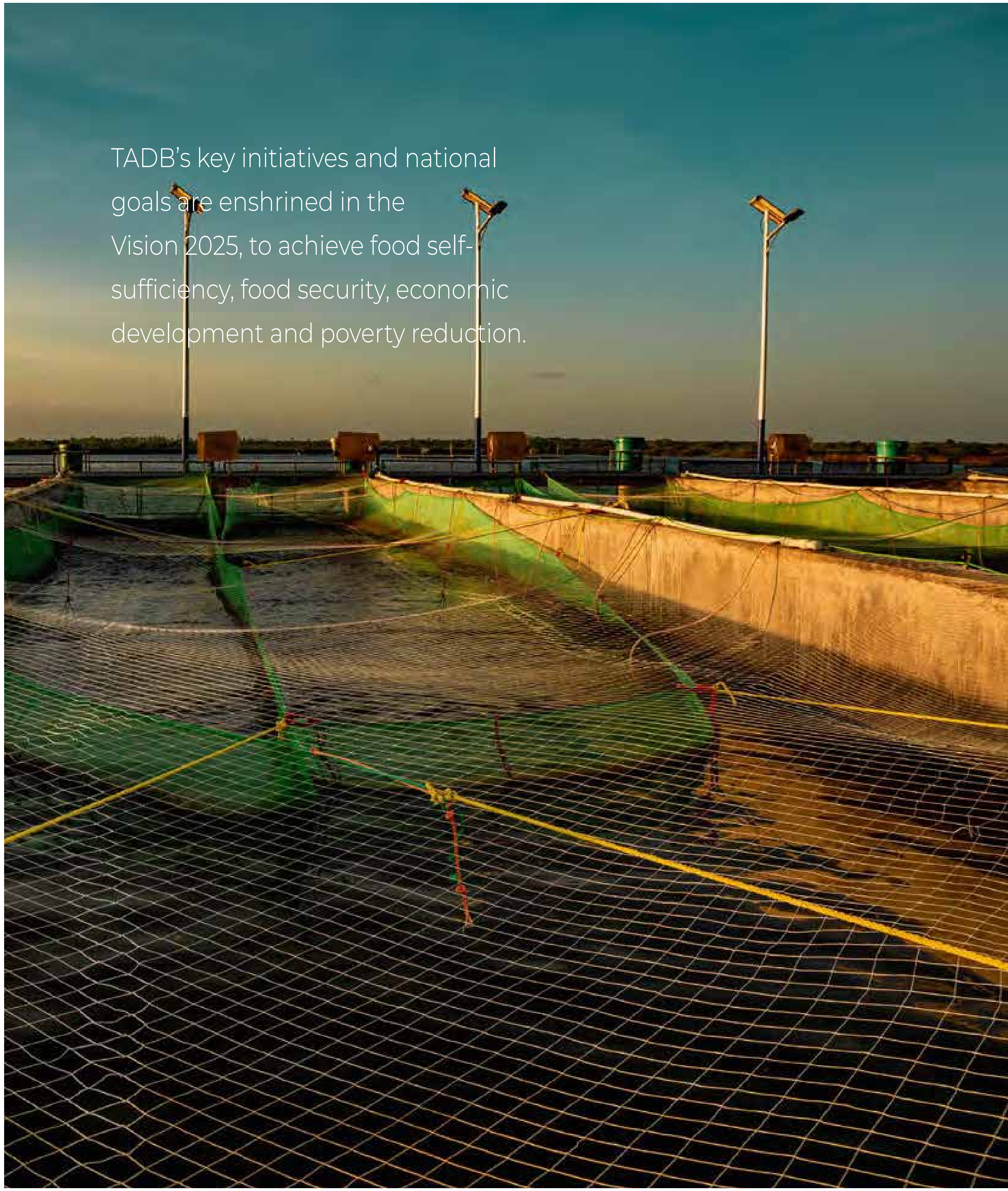
We promote and embrace teamwork spirit among staff, and with customers and partners; aimed at enhancing cooperation, and sharing of knowledge and experience from different backgrounds and disciplines; for the attainment of organiza- tional goals and objectives and improve performance

Professionalism

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

Diversity & Inclusion

We are committed to ensuring that the bank's lending practices do not have a disproportionate impact on any particular group, and to actively seek out opportunities to serve underrepresented groups and communities.



Our **Products & Services**

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.

Our Partners

FSDT · IFAD · Solidaridad · UNDP · UNCDF · LSF · AGRA · PASS · Dalberg · LONAGRO · AGRI TERRA · John Deere · MEDA · SAGCOT · USAID · AGF · Bill & Melinda Gates Foundation · World Food Programme · AFD · Heifer International · JICA · ACELI · Enabel · Clinton Foundation · TAHA · TIRDO

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

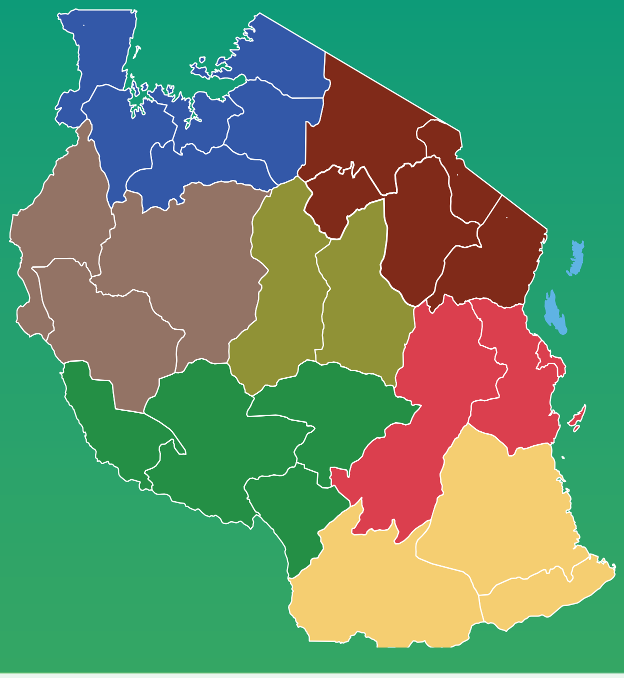
Our range of financing products are designed to address both the short and long term needs of our customers around the country. We provide short, medium, and long-term lending through refinancing, wholesale lending, direct lending, co-financing, and leveraging/guarantees to address financing gaps in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

Our **Products & Services**

Product Catalogue

Product	Purpose	Tenor	Interest Rate (Indicative)
Term Loan	Preparation of farms, purchase of seeds, fertilizers, pesticides, live animals, animal feeds, etc.	Short to medium term	8-10% - small-scale farmers; 13-15% - medium & large farmers
Asset Finance	Facilitating agriculture mechanization (tractors, harvesters, planters, irrigation equipment, processing machines, silos, etc.)	Medium to long term	8-15% per annum
Project Finance	Facilitating investments in infrastructure of irrigation, construction of factory buildings, animal sheds, feedlots, markets, etc	Medium to long term	8-12% - small-scale farmers; 10-15% - medium & large farmers
Trade Finance	Facilitating local and cross-border trade in agricultural commodities (enabling transaction settlement and mitigation of risks)	Short to medium term	8-15% per annum
SCGS	Individual and portfolio guarantee designed to de-risk lending to smallholder farmers and agri-SMEs by guarantee cover of up to 50% of loaned amounts.	Short to medium term	As agreed with lender
Wholesale Loans	Intermediated financing of the agricultural sector via Partner Financial Institutions (PFIs):16 million Euros budget (backed by AFD Loan)	Long - term	TBD
Co-financing	Directly lending to agri-projects in syndication with Partner Financial Institutions (PFIs): 42.4 million Euros budget (backed by AFD Loan)	Need based	As per project specifics

Our Network



- **Lake Zone Cluster:** Mwanza, Kagera, Mara, Shinyanga, Geita and Simiyu. Cassava, Paddy, Pulses, Beef and Dairy, Cotton, Sugarcane, Fishing.
- **Central Cluster:** Dodoma, Singida. Sunflower, Maize, Beef and Dairy, Barley, and Grapes.
- **Northern Zone Cluster:** Arusha Kilimanjaro, Manyara and Tanga. Maize, Wheat, Horticulture, Pulses, Dairy and Beef.
- **Eastern Zone Cluster:** Dar es Salaam, Coast and Morogoro. Cassava, Paddy, Spices, Maize, Dairy and Beef, Sugarcane, Fishing
- **Western Zone Cluster:** Katavi, Kigoma and Tabora Maize, Paddy, Sunflower, Pulses, Palm oil, Beef, Fishing, Honey.
- **Southern Hinglands:** Mbeya, Songwe, Iringa, Njombe and Rukwa. Maize, Paddy, Sunflower, Pulses, Barley, Beef and Diary.
- **Southern Coast Cluster:** Ruvuma, Lindi and Mtwara. Cassava, Coffe, Maize, Paddy, Sesame, Pulses, Cashew nuts, Fishing.
- **Zanzibar Cluster:** Pemba and Unguja Spices, Seaweed, Diary and Fishing, Fruit and Vegetables.

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
RAHA LEO 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

Our Milestones

2022

Loan agreements & further expansion of banking operations
- Received TZS 80 Million Euro (TZS 210 Billion) from Agence française de développement (AFD) to ensure far-reaching financing in the agri-sector.
- Opened zonal office: Southern zone

2021

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

2018

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

2017

Establish value chain financing approach
- Adopted the Clustering and Value Chain Financing Approach of the smallholder farmers agricultural transformation strategy.

2016

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

2015

Officially Launched & initial capital injection
- Launch of bank operations by H.E. Jakaya Kikwete, President of the United Republic of Tanzania (2005 -2015) and formulation of the bank's long term strategy.
- Received TZS 60 Billion capital.

Chapter 2
Our Strategy

Our **Priorities**
Thematic Areas

Thematic Priorities	Strategic Objectives
Catalysing financing to agriculture	● To play a leading role as an apex agricultural development bank and catalyse banks and financial institutions to increase financing to agriculture.
Value chain development	● To facilitate investment in productive infrastructure, mechaniazation, facilities of crop storage, processing, logistics and commodity trade. ● To promote commercialization of small-scale farmers.
Climate change and climate smart agriculture	● To enhance the capabilities of small-scale farmers, farmers' cooperatives, SMEs and other actors to respond to challenges of climate change.
Financial inclusion	● To enhance access to finance, productive assets and markets for women and youth in agriculture and agribusiness.
Capacity to deliver	● To leverage partnerships and mobilize financial resources for agricultural financing ● To enhance institutional capacity to deliver by expanding service outreach, investing inpeople and systems; enhancing governance, compliance and risk management.

Linkages to National and Global Strategies

The Government of Tanzania recognizes the significance of the agri-sector in the socio-economic lives of its people. Through various policies and strategies, the Government continues to prioritize the sector to harness its potential for economic growth and improvement of the livelihoods of Tanzanians employed by the sector. As a public development bank, TADB's role is one of catalyzing financing to agriculture and contribute to the achievement of the aforementioned objectives.

Our Medium-Term Strategy (2023 – 2027) has been prepared in alignment with Government policies, strategies and programmes, particularly those listed below:

AJENDA 10/30 KILIMO NI BIASHARA

- National Financial Sector Development Masterplan (2019/20 – 2029/30)
- National Post-harvest Management Strategy (2018-2027)

SUSTAINABLE DEVELOPMENT GOALS

Strategic **projects**

Promoting the expansion of fisheries and aquaculture

To handle the program that intends to assist the growth of the fishing industry, TADB and the Ministry of Livestock and Fisheries (MLF) inked a finance agreement in August 2022. The program has TZS 33 billion in corpus funds. Through this agreement, TADB is managing part of funding of the International Monetary Fund (IMF) to MLF through an Extended Credit Facility window (ECF)
The program aims to stimulate the growth of the fisheries and aquaculture industries through the purchase of fishing boats and accessories for qualified beneficiaries as well as assistance in setting up productive fish cage and seaweed farming, Support is provided to eligible beneficiaries in the form of zero-interest loans. Fishing Cooperative Societies (FICOs), Community Based Organizations (CBOs), Individuals, and Companies Incorporated in Tanzania Mainland are among the Eligible Beneficiaries (EB). The Lake Victoria regions of Geita, Mwanza, Mara, Kagera, and Simiyu are the target locations for cage fish farming interventions, while the coastal regions of Pwani, Mtwara, Tanga, Lindi, and Dar es Salaam will be the focus of seaweed farming initiatives

Contributing to country sugar self sufficiency

Tanzania's current sugar consumption is 440,000 tons per year, while output is 380,000 tons, resulting in a 60,000-ton yearly shortfall. TADB issued a TZS 15 billion loan to fund the newly developed sugar plantation in Bagamoyo. The green field of Bagamoyo Sugar Limited has started by putting 18,000 tons of sugar into the local market in its first year of production, which began in June 2022. This is expected to progressively close the 60,000 tons of sugar shortfall that the country is now suffering. The goal for first phase of the project is to generate 30,000 tons of sugar by 2023. As a result, according to the sugar board, import predictions for the 2022/23 season are estimated at 30,000 tons, a considerable decrease in anticipation of Bagamoyo Sugar Limited's contribution this season.

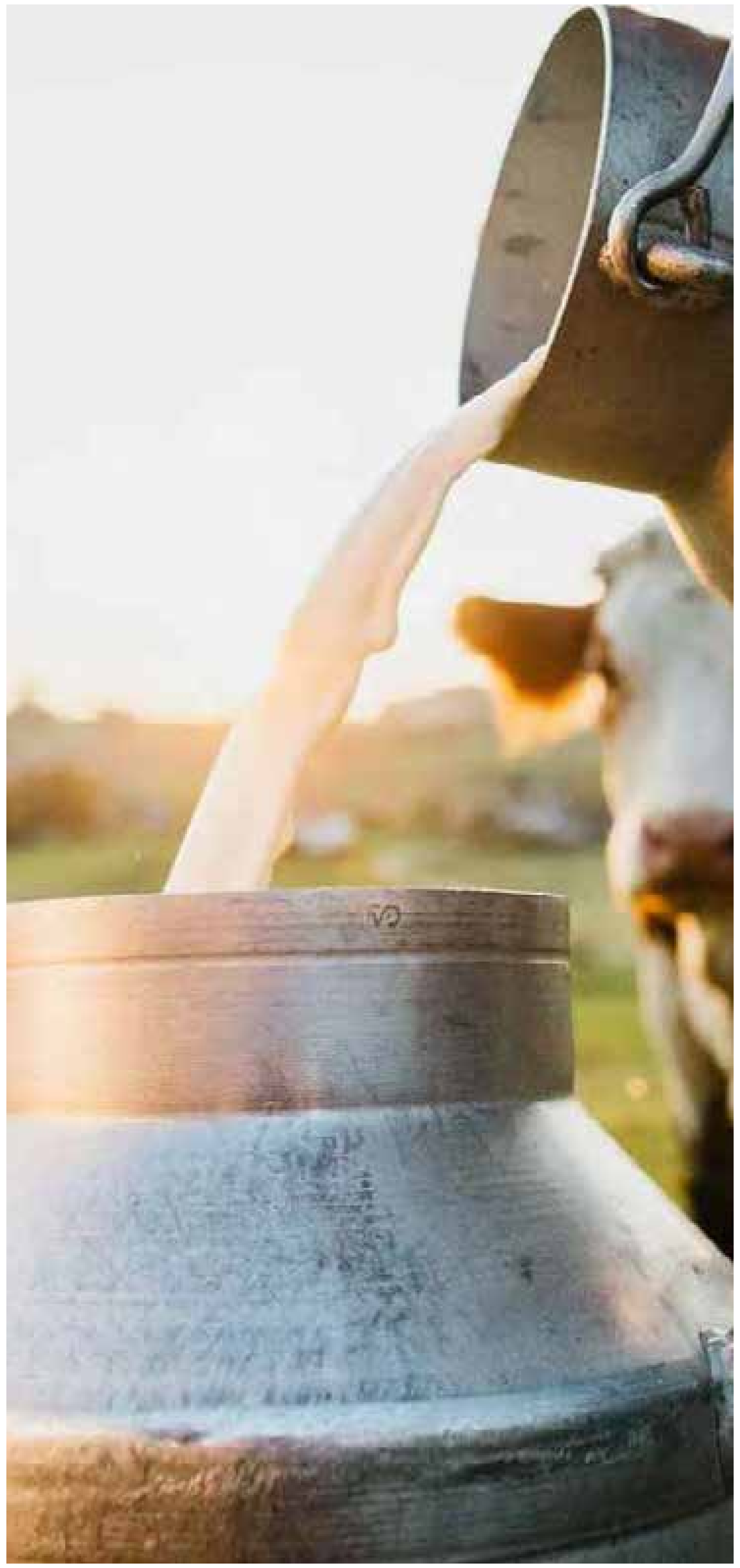
Development of the dairy industry through Diverse Processor-Producer Partnerships

Tanzania Agricultural Development Bank Limited (TADB) and the Bill & Melinda Gates Foundation (BMGF) are co-funding the three-year, USD 7 million Tanzania Inclusive Processor-Producer Partnerships (TI3P) in Dairy initiative. The project's implementation officially began in March 2022 with the signing of the project's implementation agreement.

Through tackling issues preventing the development of the dairy value chain, this project intends to change dairy processors and nearly 100,000 smallholder dairy farmers in 15 regions (Nascent and Established markets). Through improved access to financing and the creation of demand for dairy products, this will open the door for greater investment in the dairy industry. Crosscutting concerns involving gender, nutrition, and supportive environments will be addressed by TI3P interventions. By facilitating public-private partnerships between processors, dairy farmers, and input suppliers, the project seeks to support Tanzania's inclusive agricultural transformation goals.

A collaboration between the Ministries of Livestock and Fisheries in Tanzania's mainland, the Ministries of Agriculture, Irrigation, Natural Resources, and Livestock in Zanzibar, the Tanzania Agricultural Development Bank (TADB), Land O'Lakes Venture37, Heifer International, and TANAGER is responsible for carrying out the project.

A total of 429 smallholder farmers (246 men and 183 women) obtained loans totaling TZS 1,348,593,600 ($583,905.33) through 10 farmer's cooperatives and 3 individual medium farmers during the reporting year. These loans were used to purchase 459 heifers, upgrade cowsheds, set up irrigation infrastructures, and increase forage production. Additionally, the project was able to organize 1,819 smallholder dairy producers, 27% of whom were women, into 99 Dairy Interest Groups (DIGs) in coordination with milk buyers in Nascent Market and Local Government Authorities (LGAs). The organized farmers are either joining the local Farmer Producer Organizations that already exist as members or organizing to build Organizations that will act as centres for the dairy industry. These farmers were all given training in good hygiene practices (GHPs) and good animal husbandry practices (GAHPs).



Our Value Creation Business Model

OUR CAPITAL INPUTS

FINANCIAL CAPITAL

TZS 302 Billion
Total Equity

2% up from the previous year (2021)

CAPITAL

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

TZS 263.84 Billion
Loans to customers to finance 375 projects across the country.

HUMAN CAPITAL

102 Employees

33.% Female

67% 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

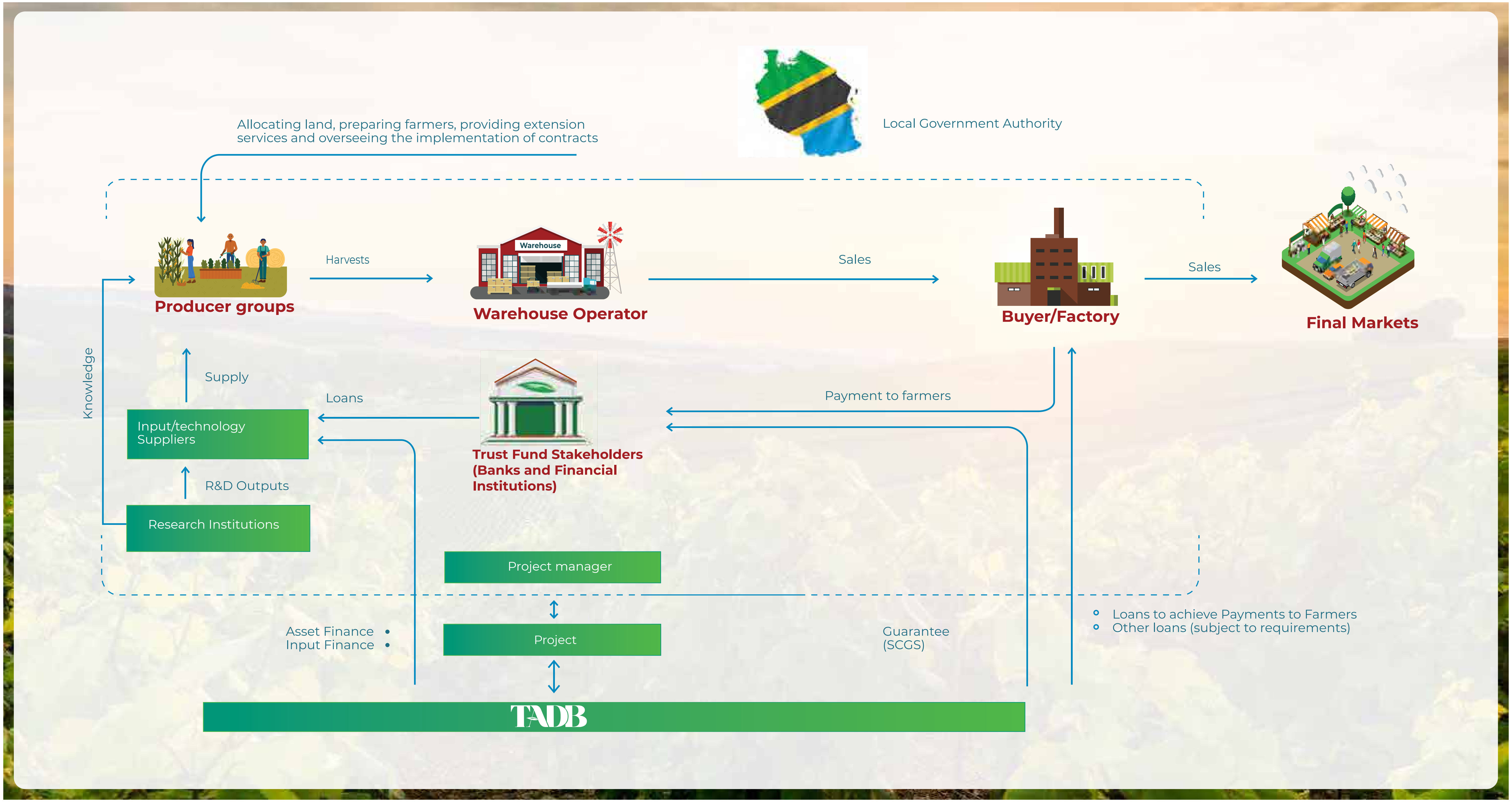
1. **Poverty reduction** - Facilitating the achievement of sustainable food self-sufficiency and food security
2. **Smallholder transformation** - through the mobilization of low-cost sustainable financial resources for affordable agricultural financing and enhancing financial inclusion for subsistence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

Our **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 2022 was TZS 302 billion, equivalent to a 2% increase from TZS 295.6 billion recorded at 31st December 2021;
- The total assets value increased by 23.41% from TZS 362.85 billion as at 31st December 2021 to TZS 447.89 billion recorded at 31st December 2022.

Equity

TZS '000	2021	2022
Share Capital	268,202,304	268,202,304
Retained Earnings	27,209,759	33,974,388
Capital Grant	252,172	137,025
Total Equity	295,664,235	302,313,717

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 & has invested in a robust IT estate, including a dynamic Core Banking System to drive efficiency.

- During the year, the Bank increased its Smallholder Credit Guarantee Scheme (SCGS), disbursing over TZS 48.47 billion to smallholder famers across the country.
- Through the Integrated value chain financing model, the bank disbursed a total of TZS 161.77 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.

- The development of TADB human resources focused on growing leadership capabilities within the banking and financing sector while providing technical development programs that focus on agri-financing and climate smart agriculture.
- During the year, the Ban had a total of 105 talented employees.

Gender	2021	%	2022	%
Female	22	28%	34	33.3%
Male	56	72%	68	66.7%
Total	78	100%	102	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 7 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 maintained a total of 6 zonal offices that provides convenient accessibility to clients in respective regions.

S/N	Zone	Office Location
1.	Central Zone	Dodoma
2	Lake Zone	Mwanza
3	Southern Highlands Zone	Mbeya
4	Eastern Zone	Dar es Salaam
5	Southern Zone	Mtwara
6	Western Zone	Tabora

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.

The year 2022 saw the bank continuing exploring opportunities to raise awareness on its products and services. The bank participated in both international and local forums and exhibitions.

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	17,100 smallholder farmers across the eastern zone	Lake, Southern, Central, Eastern, Western & Southern Highlands	59.35
Sugarcane	Plantation, irrigation infrastructure development	Productivity	Over 3,600 sugar cane out growers	Eastern	12.08
Fish	In Ponds Raceways systems - IPRS	Productivity	N/S	Eastern Zone	3.03
	Cage Fish farming projects	Enterprise Development	N/S	Lake Zone	0.51
Poultry	Expansion, modern poultry equipment, access to quality chicks	Enterprise Development	NS	Eastern, Lake, Southern Highlands	22.3
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	8.7
	Modern farming technologies & mechanization	Productivity	N/S	N/S	0.63
Mechanization	Equipment to support maize Projects	Productivity	14 Individuals and 1 Amcos	Central Zone	0.65
	Mechanization Equipments	Productivity	1 Amcos and 2 Individuals	Lake Zone	0.1
	Various mechanized equipment	Productivity	10 individuals and 1 Amcos	Western Zone	0.66
Seed Variety	Seed variety production& multiplication	Productivity	All paddy farmers countrywide	Southern Highlands	0.3
Agro-chemicals distribution	Working capital and asset financing	Enterprise Development	N/A	Central zone	0.75
Cashew	Early payment to cashew farmers in Mtwara	Enterprise Development	Cashew farmers in Mtwara Region	Southern zone	0.6
Maize	Farm inputs for Maize production	Productivty	Farmers groups in Ruvuma and Rukwa region	Southern and Southern Highlands	0.6
Beans	Working capital	Enterprise Development	N/S	Western, Southern Highlands and Central	4.1
Youth and Women Projects	Working capital for various Youth farming projects	Enterprise Development	N/S	Western, Lake, Eastern, Southern and Central	1.43

NS – Not Specified

Strategic **Value Unlocks (KPIs)**

2022 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	161.7	108%
Credit Guarantees for Smallholder Farmers	Portfolio growth	Disbursements	48.47	121.18%

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	6 storage projects funded directly, 3 storage warehouses funded through SCGS	5
Building capacity of local producers to access export markets for commodities and products	Marketing	Agro-processing and value addition	26 Agro-commodity trade deals were funded directly and 37 trade deals were funded through SCGS	6
Financing investments in Agro-processing facilities and revamping new ones	Productivity/ Market growth	Agricultural exports	27 Agro-processing factories were funded directly, and 23 agro-processing factory to be funded through SCGS by December 2022.	6
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 14.8 Billion** input loans advanced directly **TZS 20.58 Billion** Input loans to be advanced through SCGS by December 2022.	6
Facilitating adoption of mechanized technologies	Marketing	Tractors and Combine harvesters	**42** mechanized units funded directly **43** units funded through SCGS.	6
Building capacity for irrigation and Climate Smart Agriculture (CSA)	Market Growth/ Productivty	irrigation projects	**4** 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	116 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 **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 takes into consideration 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 both national and international best practices. 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.

Gender	2021	%	2022	%
Female	22	28%	34	33.3%
Male	56	72%	68	66.7%
Total	78	100%	102	100%

Sustainable Project Management

At TADB, project and business development takes into high consideration the environmental, social and economic aspects in the creditworthiness of the projects during our loan appraisals. To strengthen its Environmental and social management, a current project is underway to ensure that the bank's ESMS continues to meet national and international environmental and social standards and principals.

Climate Change and Climate-Smart Agriculture is one of the Bank's top strategic priorities for the following five years as set forth in the bank's medium-term strategy 2023–2027.

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.

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.

Chapter 3
Our Leadership

Managing Director's Statement 46

Managing **Director's Statement**

> "The financial results of 2022 demonstrate our unwavering dedication to achieving sustainable and remarkable growth, all while prioritizing top-notch service to our customers, shareholders, and colleagues"

Frank Nyabundege
Managing Director

I am delighted to announce that Tanzania Agricultural Development Bank (TADB) has achieved a strong performance in the financial year 2022. Our commitment to supporting the agricultural sector and empowering farmers across the nation has yielded positive results. Through dedicated efforts, we have fostered sustainable growth, driving economic prosperity and uplifting rural communities. It is therefore with much delight to report that our bank is well capitalized and has achieved profit after tax of TZS 11.19 Billion as of 31 December 2022, an improvement from the previous year's performance.

As we reflect upon the challenges and triumphs of this year, it is essential to acknowledge the significant impact of the ongoing conflict between Russia and Ukraine. This geopolitical tension has sent shockwaves across the globe, affecting trade, economies and industries far and wide. Despite the uncertainties arising from this global conflict, our bank has remained steadfast in its mission. We have navigated these challenging dynamics with prudence and strategic foresight, safeguarding our assets and leveraging on emerging opportunities which serve to benefit our stakeholders.

As we move forward, we remain vigilant and adaptable to the evolving landscape. TADB will continue to leverage its strengths by embracing innovation and technology, to ensure that our services are accessible across the country. We are committed to expanding our reach, enhancing financial inclusion, and empowering farmers with the necessary tools and resources to thrive in the modern agricultural landscape.

Economic Outlook

The Tanzanian economy faced domestic challenges and was attested during this period. Inflation remained elevated in 2022, averaging 4.5%, which was higher than the government's target of 3%. The high inflation rate was mainly due to supply-side factors, including higher food and fuel prices. Our Gross Domestic Product (GDP) growth was also impacted by the post pandemic and geopolitical tensions, with the economy growing by an estimated 4.5% in 2022, down from 6.3% in 2021.

However, the Bank of Tanzania (BoT) through the establishment of the Monetary Policy Committee (MPC), adopted an accommodative monetary policy aimed at stimulating economic activity, following the reopening of the global economy. As a result, the broad money supply increased by 7.6%, compared to 6.9% in 2021, reflecting increased liquidity in the banking system, boosting the level of lending to the private sector and leading to the recovery of key sectors including agriculture.

Profit Growth

2.2%

Our Profit After Tax increased by 2.2% YoY to

11.1 Billion

FY 2021: 10.9 Billion

Cost to Income Ratio

46.3%

Our Cost to income ratio (CIR) was 46.3% which is below the regulatory cap of 55%

FY 2021: 42.0%

Assets

23.4%

The bank registered growth of 23.4% on total assets

447.8 Billion

FY 2021: 362.8 Billion

Loans Growth

73.6%

Our customer loans increased by 73.6% to

263.8 Billion

FY 2021: 151.9 Billion

The combined efforts of the Government and Regulatory Institutions have fostered an environment conducive to economic growth and stability in Tanzania. As the country continues to build on its achievements, it remains committed to sustaining this positive momentum for further development and prosperity.

Bank's Performance

A review of our results shows positive performance across all financial metrics and improved strategic positioning of the brand. The Bank recorded a Profit after Tax (PAT) of TZS 11.19 billion representing a growth of 2%, year-on-year.

Total income experienced a noteworthy year-on-year increase of 14%, reaching TZS 36.83 billion in 2022. This is attributed to our robust revenue-generating capacity, despite operating within an environment characterized by multiple challenges. Specifically, our net interest income grew by 10% to reach TZS 32.77 billion, while non-interest income demonstrated an impressive growth rate of 63%, amounting to TZS 4.06 billion. Our operating costs remained well contained which led the business to achieve a cost to income ratio of 46% for the period, below the regulatory cap of 55%.

The Bank's loan portfolio has increased by 74% during this period, impacting millions of farmers across the country, and supporting 9 value chains including cereal, horticulture,

livestock, oil seeds and roots and tubers. In efforts to address the post-harvest losses challenge which is estimated to account for up to 40% of agricultural produce annually, we have supported the construction of warehouses in the Lake Zone for cotton and maize chains, Western Zone for paddy and Eastern Zone for maize and paddy.

Smallholder Credit Guarantee Schemes (SCGS)

Investing in agriculture is critical to achieving the country's economic growth aspirations and the Sustainable Development Goals (SDGs). Yet while almost two third of the population in Tanzania works in agriculture, the sector receives less than 10% of commercial bank lending. Farmers and 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.

As of 31 December 2022, the Smallholder Credit Guarantee Scheme (SCGS) has made significant progress since its launch in 2018. To date through the guarantee scheme TADB has formed partnerships with 15 Financial Institutions which have resulted in guaranteeing loans above TZS 170 billion. Our partner financial institutions have enabled the scheme to have a wide reach to smallholder farmers leveraging the respective branch networks exceeding 700 branches.

Governance

The Bank remains committed to upholding appropriate corporate governance and is fully compliant with all relevant statutes and expected trading norms. We are pleased to report that our governance structure has been maintained at an adequate level and is subject to continuous training and development to ensure its effectiveness. By adhering to rigorous governance practices, we foster transparency, mitigate risks, and promote accountability throughout our operations. We invest in ongoing training initiatives to stay ahead of evolving governance expectations and equip our personnel with the necessary skills to navigate complex challenges. Our dedication to upholding high standards of corporate conduct reinforces trust among stakeholders and positions us as a responsible and reliable institution.

Our employees are the face of our bank and play a critical role in our success. They are responsible for implementing our strategy and, as such, are the key differentiators between our success and failure. At TADB, we believe it is important to value and respect every employee. We are committed to supporting all staff members in reaching their full potential and achieving both their personal goals and the bank's objectives. To this end, we are investing in training and development initiatives to ensure that our employees are competent, competitive and professional, and able to serve our clients effectively at all times.

Human Capital

Our employees are the face of our bank and play a critical role in our success. They are responsible for implementing our strategy and, as such, are the key differentiators between our success and failure. At TADB, we believe it is important to value and respect every employee. We are committed to supporting all staff members in reaching their full potential and achieving both their personal goals and the bank's objectives. To this end, we are investing in training and development initiatives to ensure that our employees are competent, competitive and professional, and able to serve our clients effectively at all times.

Looking Ahead

Looking into 2023, our main priorities at Tanzania Agricultural Development Bank will be to work closely with our stakeholders to ensure their continued success and growth. To achieve this, the bank is in the process of launching its next five-year strategy "TADB Medium-term strategy 2023-2027."

In the next five years, we have envisioned being a champion development finance institution for sustainable agricultural transformation in Tanzania. Through this strategy, we plan to catalyze agricultural transformation through innovative financing solutions to develop sustainable and inclusive value chains and contribute to economic growth, food security and poverty reduction.

Appreciation

On behalf of the management, and staff, of the Bank, I express our sincere appreciation to our shareholders and regulators; The Office of the Treasury Registrar, The Ministry of Finance and Planning, The Ministry of Agriculture, The Ministry of Livestock & Fisheries, The Ministry of Trade, Investment and Industries and the Bank of Tanzania. Your tremendous support has been highly instrumental to our continued and consistent performance as we strive to promote sustainable economic growth and prosperity for the country.

I also extend my heartfelt thanks to the Board of Directors for their hard work, guidance, and support to the Management team in realizing our strategic goals. To all staff members, I would like to extend my appreciation for your dedication and hard work in achieving the good results we have seen. Let us maintain our focus and commitment to achieving our performance aspirations for 2023 and beyond. Together, we can continue to drive the success of our bank and deliver value to our stakeholders.

Chapter 4
Performance Review

Statement from the **Director of Finance**

Net Interest Income

10.0%

The bank registered net interest income growth of 10.0% to

32.8 Billion

FY 2021: 29.9 Billion

Non Interest Income

63.0%

Our net interest income grew by 63% to

4.1 Billion

FY 2021: 2.5 Billion

> This growth is a testament to TADB's ability to generate income even as we reduced interest rates to single digits, in line with government initiatives aimed at transforming the agricultural sector.

Operating environment

The Tanzanian economy performed well in 2022. Real GDP growth averaged 5.2% in the first three quarters of the year, up from 4.8% in the same period in 2021, mainly driven by agriculture, construction, and manufacturing. The African Development Bank (AfDB) projects that Tanzania's growth will continue to improve, with a projection of 5.6% in 2023, due to better performance in tourism and reopening of trade corridors. Although there was an upward trend in headline inflation due to global supply chain disruptions caused by the Russia/Ukraine conflict and the COVID-19 pandemic, Tanzania's inflation rate stabilized at 4.8% in December 2022. This figure is consistent with the country's target of 5.4% for 2022/23 and is lower than most countries in EAC and SADC. The overall lending rate in the banking sector remained almost unchanged from the preceding year, with the overall lending rate at around 16% and negotiated lending rates at around 14%. Meanwhile, the overall deposit interest rate increased, averaging at 7.34% in 2022, compared to 6.74% in the previous year.

Overall, the banking sector demonstrated a strong performance in 2022, remaining profitable, adequately capitalized, and with satisfactory levels of liquidity. Both deposits and assets increased, while asset quality also improved. The average Capital Adequacy Ratio (CAR) was 18.2%, exceeding the minimum regulatory requirement of 10%. Notably, the quality of assets in the sector improved, with non-performing loans (NPL) reducing to 5.8% as at December 2022, close to the desired level of 5% and a significant reduction from the high levels experienced in 2017.

Performance overview

Despite a 14% increase in top line revenue compared to the previous year, our Profit after tax (PAT) saw a modest 2% increase. This growth is a testament to TADB's ability to generate income even as we reduced interest rates to single digits, in line with government initiatives aimed at transforming the agricultural sector. Key highlights for the year 2022 are summarized below:

TZS. Billion	2022	2021	Change
Net Interest Income	32.8	29.9	10%
Total other operating income	4.1	2.5	63%
Total income	36.8	32.3	14%
Operating expenses (excl provisions)	17.1	13.6	25%
Profits After Tax	11.2	10.9	2%

In 2022, the Bank's operating expenses totaled TZS 17.1 billion, representing a 25% increase from the previous year. However, the increase was well-contained. The cost to income ratio was 46.3% in 2022, compared to 42.1% in 2021.

Expected Credit Losses (ECL) and Provision for impairment related to the Smallholders Credit Guarantee Scheme

The Bank's Expected Credit Losses (ECL) and Provision for impairment related to the Smallholders Credit Guarantee Scheme (SCGS) amounted to TZS 4.1 billion in 2022. This is a significant increase from the net provision charge of TZS 2.7 billion in 2021. The increase was due to accounting for provisions made for loans under the Small Credit Guarantee scheme that the Bank operates.

Key Balance sheet lines

Total assets increased by 23% to TZS. 447.8 billion, as shown on the table below.

TZS. Billion	2022	2021	Change
Total Assets	447.8	362.8	23%
External borrowing	52.4	-	100%
Total shareholder funds	302.3	295.7	2%

Asset Quality

The ratio of non-performing loans to gross loans improved from 6.1% in 2021 to 5.9%. This improvement was a result of the bank's efforts to remediate and recover account downgrades caused by customers' inability to meet repayment obligations. Looking forward to 2023, we anticipate a gradual improvement in the economic environment, which should lead to a reduction in the number and value of customers in the non-performing loans category.

Capital levels

The Bank's capital ratios remain healthy and are well above the minimum regulatory requirement. The Bank seeks to maintain strong levels of capitalization to build resilience and maintain adequate buffers over regulatory requirements. However, there was a decrease in the Capital adequacy ratio from 150.2% in 2021 to 96.8% in the current year. This was primarily due to an increase in the Bank's risk weighted assets ratio, reflecting its growth.

Resources mobilization and partnership success stories for 2022

To support investment in the agri-sector, the Tanzania Agricultural Development Bank (TADB) has engaged with various stakeholders and has achieved several milestones by the end of December 2022. These include receiving the first tranche of funds from the Agence Française de Développement (AFD) and Bill and Melinda Gates Foundation (BMGF), finalizing legal requirements with the Africa Legal Support Facility (ALSF), and formalizing partnerships with Solidaridad, Investment Climate Reform facility (ICR), Japan International Cooperation Agency (JICA), Arab Bank for Economic Development in Africa (BADEA), and the Ministry of Livestock and Fisheries (MoLF) and Nelson Mandela African Institute of Science and Technology (NM-AIST). TADB has established strategic alliances, mobilized funds and other resources to unlock long-term and strategic investment in the agri-sector through more strategic and well-structured blended resources mobilization.

The Small-holder Farmers Credit Guarantee Scheme

Tanzania's agricultural sector receives less than 10% of commercial bank lending despite the fact that nearly two-thirds of the country's population works in the sector. A report by Dalberg in partnership with ACELI highlights that 75% of agricultural SMEs lack sufficient access to finance and the capacity to manage it, leading to an annual financing gap of $65 billion across Sub-Saharan Africa. In response, the Small-holder Farmers Credit Guarantee Scheme (SCGS) 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 high-perceived risks and liquidity challenges. The SCGS has facilitated credit access for smallholder farmers and SMEs in excess of TZS 209 billion and has formed partnerships with 15 financial institutions, guaranteeing a cumulative value of TZS 173 billion as at December 31, 2022. The program has also facilitated interest rate reductions for loans to smallholder farmers at participating financial institutions from 20% to 9%-16%.

Outlook

We maintain hopeful outlook for the rest of the year, anticipating a better operating environment. Our primary emphasis will be on executing the new strategy, with special attention devoted to expanding our outreach, improving products, and services to drive business performance. Additionally, we will continue to contribute to the agricultural transformation, and we are well-prepared to assist our customers as needed.

Dr. Kaanaeli G. Nnko
Director of Finance.

Credit & Business Report

Afia Sigge
Ag. Director of
Credit & Business

2022, marked a progressive year for the Tanzania Agricultural Development Bank (TADB), where the bank responded from the external headwinds by promoting business growth, ensuring quality loan book and financial inclusion.

2022, marked a progressive year for the Tanzania Agricultural Development Bank (TADB), where the bank responded from the external headwinds by promoting business growth, ensuring quality loan book and financial inclusion. Loans disbursement performance demonstrated improvement against preceding performance on financing various agricultural projects. The funding was channeled towards Unions, Associations, Individuals and Corporate.

	FY2019	FY2020	FY2021	FY2022
Direct Lending	59.58Bill	86.98Bill	122 Bill	161.6Bill
Growth %	-	46%	40%	32%

TADB financed key projects under six subsectors in alignment with the bank's strategy. The aforementioned six subsectors included cereals, horticulture, industrial commodities, livestock, oilseeds, and roots & tubers. The financed subsectors fall under three bank's priority financing areas which are productivity, post-harvest management and enterprise development with an emphasis on the Integrated Value Chain Financing Model (IVCF).

In regards to the increase of agricultural productivity, the Bank provided input financing and supported mechanization. However, funding for irrigation projects proved challenging. The Bank sought assistance from JICA and local irrigation engineers for partnering to address these challenges.

In terms of post-harvest management, the bank's efforts were made to address post-harvest losses particularly for smallholder farmers across the country. Likewise the Bank focused on funding commodity trading and constructing storage facilities such as warehouses, silos, and modern cold storage facilities. The performance was satisfactory in funding commodity trading and storage warehouses while more efforts were put in place to improve funding for silos, cold storage facilities, and agro-processing factories.

Enterprise development was a priority, and the Bank successfully funded projects following the Integrated Agricultural Financing Model (IVCF). The lending volume increased, surpassing the target, and efforts were made to clear pending issues for the disbursement of approved facilities in order to meet disbursement turn- around time (TAT).

Loan Book Quality

Loan book quality position has been improving despite the prevailing macro and micro impediments. Climate effects stood to be a key roadblock as a result of dry conditions, especially for regions receiving two rainy seasons. Likewise, extreme weather events particularly heavy rains, localized thunderstorms with rain, and high temperatures were reported in different parts of the country. This led to subpar harvest performance for several value chain.

Nevertheless, NPL (Non-Performing loans) trend was monitored to align better with regulatory standards benchmark of operating at a minimal rate of 5% NPL. In a way to respond to the effects emanating from both micro and macro variables, the bank has prioritized innovation, technology and closer monitoring of loan book performance to ensure loan book quality.

Smallholders' Transformation Journey

In 2022, we prioritized enhancement of the smallholder farmers across the country to drive a sustainable transformation of the agricultural sector. We focused on capacity building through financial literacy trainings. The bank successfully trained over 2000 smallholder farmers across the country. Additionally, the bank developed smallholder resilient financing models that incorporates their needs.

Future Outlook

Looking ahead, the Bank aims to expand its operations to new zones to increase its reach. Likewise, innovation and technology remains to be a priority area of enhancement specifically on agri-tech solutions focusing on precision farming that will shape the future of agriculture, enabling farmers to make data-driven decisions and mitigate risks.

We plan to roll out new product lines which comprise of wholesale lending, youth & women and co-financing that will catalyze financing in the agriculture sector. As we start a new chapter, we set a focus towards extension of capacity building to small holder farmers in order to improve their livelihoods in line with promotion of climate smart projects.

Appreciation

Thank you for your trust and confidence in TADB Business Development. We look forward to an exciting and successful 2023.

Smallholder Credit **Guarantee Scheme (SCGS)**

Asha Tarimo
Agency Fund Manager

In efforts to attain the overall goal of reducing poverty and enhancing incomes of rural people and securing food security on a sustainable basis, the Ministry of Finance and Planning (MoFP) signed a Financing Agreement with the International Fund for Agricultural Development (IFAD) to support the implementation of the Marketing Infrastructure, Value Addition and Rural Financing (MIVARF) program under the Prime Minister's Office (PMO) of the Government of the United Republic of Tanzania as implementing agency.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.

The MIVARF program had three components;

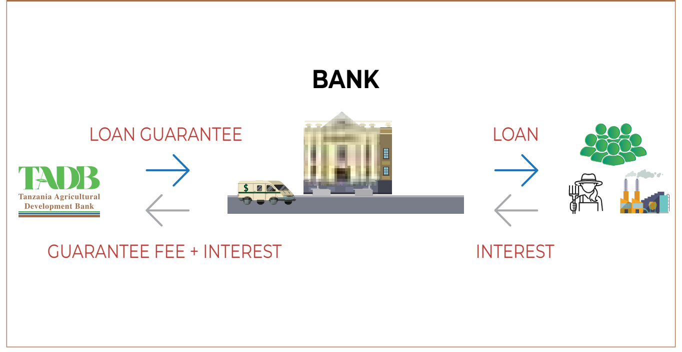
i. Marketing Infrastructure,
ii. Value Addition, and
iii. Rural Financing.

The implementation of the Rural Financing component of the MIVARF program called for the establishment of a guarantee scheme for agricultural loans (Smallholder Credit Guarantee Scheme) and Rural Innovation Fund (RIF) to support rural innovation as well as smallholder farmers and Small & Medium Enterprises (SMEs) with strong linkages with smallholder farmers access formal financial services from the banking sector with a view to support poverty reduction, increase primary production and improve rural livelihoods through the issuance of credit guarantees.

As the national apex development bank for Agriculture, Tanzania Agricultural Development Bank (TADB) was appointed as the administrator to manage the guarantee scheme and Rural Innovation Fund on behalf of the Government through a tripartite agreement executed between the Ministry of Finance and Planning (MoFP), the Prime Minister's Office (PMO) and TADB in November 2017.

The Smallholder Credit Guarantee Scheme (SCGS) was officially launched in February 2018.

SCGS Operating Model



The SCGS's main objective is to catalyse Tanzanian financial institutions to expand and improve access to lending for smallholder farmers, who typically struggle to obtain affordable, adaptable financing from the formal financial sector. It also aims to expand access to lending for farmers' organizations and private actors who have a track record of working with smallholder farmers or rural microenterprises.

2022 achievement

- The value of loans guaranteed for the year 2022 amounted to TZS 48.53Bn against the budget of TZS 42 Bn to 1,885 beneficiaries.
- Total of 43 mechanization units- 1.8 Billion
- Three storage facilities financed-0.9 Billion
- 18 suppliers of agro-inputs financed to facilitate distribution of inputs to smallholder farmers- 2.5 Billion
- 4 micro irrigation projects-360 million
- 23 Aggregation & Processing entities which offers reliable market to smallholder farmers-24.8 billion
- On a year on year comparison, the cumulative value of loans grew from TZS 125.02Bn in December 2021 to TZS 173.49Bn in December 2022 representing an annual growth of 30%.
- Two additional banks have been enrolled to the scheme

Scheme enhancement

As of December 2022, the SCGS program had reached 13,872 beneficiaries and had guaranteed loans totalling TZS 173.49 billion since its establishment. With the support of the AFD financing package, the Bank is improving the SCGS organizational structure and business model within TADB for the coming year. As part of this enhancement, the program will receive more funds, and the risk coverage ratio for women and youth will be raised from 50% to 70% in order to address the issues of a shortage of collateral for these particular groups and a higher perceived risk for the youth.

Planning, Research & Policy Report

Mzee Kilele
Director of Planning, Research & Policy

In the year 2022, the country witness various deliberate government initiatives to transform agriculture. Amongst is the launching agenda 10/30 and a significant increase of budget allocation to the Ministry of Agriculture capitalizing on the investment in the irrigation infrastructure

The country's GDP grew by 5.2% in the first two quarters of 2022 from 4.90% in 2021 and 4.8% in 2020 mainly driven by agriculture and services on the supply side and final consumption and investment on the demand side.

In the year 2022, the country witness various deliberate government initiatives to transform agriculture. Amongst is the launching agenda 10/30 and a significant increase of budget allocation to the Ministry of Agriculture capitalizing on the investment in the irrigation infrastructure. On livestock and fisheries, funding from the International Monetary Fund (IMF) through an Extended Credit Facility window (ECF) was invested in various initiatives that aim to support the development of fisheries and aquaculture.

In an environment of emerging challenges and fashioned sector development initiatives, building on the other national policies, strategies and plans guiding the development of agriculture, during the reporting period strategically the Bank actively tied up and participated as among the key drivers and partnering in the initiatives. The Bank's strategies and its products/service effectively provided appropriate and relevant solutions to emerging needs.

A Review of Our Strategic Themes

During the reporting period, TADB's Medium-term Strategy 2023 - 2027 (also called the TADB 2nd Rolling Business Plan) was formulated. A participatory approach was adopted during the processes of formulation of the strategy, which involved consultations with all operating units across the bank at different times, and different steps of the process. A multi-stakeholder consultative meeting with actors in the agricultural sector was held with the view to tap their expertise and experience in the analysis of the operating environment, identification of opportunities and adoption of new strategic options in line with the aspirations of the wide range of stakeholders in agriculture.

The strategy takes cognizance of the immense opportunities in the agricultural and allied sectors and seeks to mobilize internal and external resources and leverage partnerships with a range of stakeholders to catalyse financing and investments in the sector.

In the same thrust, the strategy borrows heavily from national policies, strategies and plans guiding the development of agriculture and seeks to build on achievements emanating from the bank's operations from 2016 to 2022.

In the next five years, we have envisioned being a champion development finance institution for sustainable agricultural transformation in Tanzania. Through this strategy, we plan to catalyze agricultural transformation through innovative financing solutions to develop sustainable and inclusive value chains and contribute to economic growth, food security and poverty reduction.

To materialize this, the strategy will focus on five priorities; catalyzing financing to agriculture, where the bank will focus on strengthening relationships with other banks and financial institutions to enhance the flow of financial services to agriculture; development of sustainable agricultural value chains; climate financing and promotion of climate-smart agricultural practices; and enhancing financial inclusion of women and youth in agriculture and agribusiness. Lastly, but equally important, we will continue to expand our capacity to deliver by investing in the right talent and systems

Firming strategic value chains

During the year under review, the Bank in line with its advisory mandate through conducting research and analyses geared towards advocating for the improvement of the business environment for agriculture and allied sectors. The Bank commissioned the execution of research in various value chains including Sunflower Block Farms, Wheat Block Farms and Maize Production under a contract arrangement. Additionally, desk reviews have been done in areas of Alternative irrigation Technology, Analysis on Enhancement of Postharvest Loss Management, Situation Analysis of Fish Production in Lake Victoria and Agribusiness finance for women and youth in Tanzania. The findings of the aforementioned research will give the Bank important information for formulating policy documents, planning projects, and offering technical support to various stakeholders.

Commitment towards climate-smart Agriculture

A commitment by TADB to support the financing of environmentally friendly and sustainable agricultural practices in the nation was established in the year 2022. Despite its crucial role in fostering socioeconomic development and prosperity, the agriculture sector continues to face difficulties from a variety of different sources, with climate change ranking as one of the major setbacks. Extreme weather conditions, including drought, high temperatures, floods, and heavy rains, among many others, continue to have a detrimental effect on farmers, the agriculture industry, and agricultural productivity.

As a result of these effects, the requirement to direct funding for climate smart agricultural practices, and the government of Tanzania's commitment to climate action, environmental protection, and agricultural resilience, TADB decided to carry out a number of strategic actions this year. Climate change and Climate-Smart Agriculture is one of the Bank's top strategic priorities for the following five years as it develops its medium-term strategy for 2023–2027. The creation of this framework describes the Bank's strategic measures to boost green financing to the industry while enhancing farmers' skills to fend off the effects of climate change.

In order to effectively implement the goals, TADB trained personnel on climate change and climate smart agriculture in a session given by experts from the Office of the Vice President that aimed to increase internal capacity and awareness on the topic. Additionally, TADB took part in the COP 27 United Nations Climate Change Summit in Egypt in 2022. The conference gave the Bank the chance to discuss its role in the transformation of the agriculture industry, its planned strategic initiatives, engage with international green financing institutions, and expand its opportunities for mobilizing sustainable resources for resilient, scalable, and impactful agriculture interventions across the nation.

Looking Ahead

Eyeing into 2023, the Bank is looking forward to the approval and the execution of the Medium-term Strategy 2023 – 2027, the strategy has envisioned being a champion development finance institution for sustainable agricultural transformation in Tanzania. Alongside this, the first impact evaluation of the Bank interventions for the past five years will be conducted to measure outcomes and impacts of TADB interventions while implementing the Bank's first Five-Year.

Capitalization will be on the non-financial product through technical assistance to partners' financial institutions and for project preparation and implementation for Integrated Value Chain Financing (IVCF) Projects under the co-financing product and wholesale lending

Treasury & Funding Report

Emmanuely Lymo
Resource Mobilization
Manager

With the rapidly shifting business landscape, characterized by continuous changes in consumer preferences.

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.

Human Capital & **Administration Report**

Noelah Bomani - Ntukamazina
Head of Human Capital
& Administration

Sustaining the Covid-19 pandemic recovery in an economic disruptive environment has shown the need for companies to adopt new strategies for attracting and retaining talents.

HR leaders are increasingly focusing on employee engagement, diversity, inclusion, upskilling and reskilling programs to enhance talent development and keep up with the pace of changing workforce.

At TADB, we recognize that human capital is a crucial factor in our success, and we have built a diverse and inclusive team of 102 talents with skills, know-how and right attitude to serve our clients across our offices. The offices that are located in 7 zones (Eastern, Western, Southern Highland, Lake Zone, Central, Southern, Zanzibar), provides a timely and convenient accessibility to clients across the country. Clients are met with employees who are well invest in. The development of TADB human resources focused on growing leadership capabilities within the banking and financing sector while providing technical development programs that focus on agri-financing and climate smart agriculture.

Staff Learning and Development

Learning and Innovation forms part of TADB core values. The bank has invested in various learning and development programs to upskill and reskill its employees to enable delivery of quality services to clients. TADB has implemented both internal curated and external executive leadership development programs to develop leadership capabilities within the bank. The programs equip employees at different cadre with the necessary skills and knowledge to lead effectively, manage teams, and drive the bank's strategic objectives.

TADB has conducted technical development programs focusing on agriculture lending and climate smart agriculture financing. These programs equip employees with the necessary skills and knowledge to understand the agricultural sector, the challenges experienced by our clients whom primarily are farmers. The programs also provided knowledge on how to design agriculture lending products that enhances climate change adaptation techniques.

Driving Employee Engagement (Proposed subtheme- Inclusion and diversity journey)

TADB has fostered diversity and inclusion within its workforce with 32% female and 68% male employees. By actively seeking talent from diverse backgrounds, TADB harnessed the unique strengths of each individual. TADB believes that a diverse workforce brings about diversified perspectives, experiences, and ideas, which can lead to innovative solutions and better decision-making. The bank's commitment to diversity and inclusivity is a strategic move that drives employee engagement, promotes innovation, and supports social and economic development.

Strengthening Leadership/operationalization

TADB focused on laying out an operationalization methodology that enhances realization of the bank's goals. Through adoption of the balanced scorecard methodology, the Human Capital aligned corporate goals, objectives that fosters accountability, delivery, and performance measurement. Also, the bank embedded special employee recognition and reward practices that incentivize performance and facilitate continuous improvement.

Employee Welfare

TADB focus on employee welfare is a strategic move that promotes employee well-being, job satisfaction, and productivity. TADB facilitated mental health awareness programs and financial literacy programs. The programs that are part of employee welfare approaches supports employee wellness and independency. This thus leads to healthier and more engaged workforce. This approach is essential for achieving talent retaining and making TADB an employer of choice.

Planning for Succession and Talent Management

TADB maintains an optimal staffing level to support business growth strategies, seize investment opportunities, and comply with regulatory requirements. To achieve its mandate, the bank reorganized its HR team by incorporating the concept of Human Resources Business Partnering (HRBP). This approach enhances the efficiency of attending to staff matters, fosters collaboration among teams, and increases personalized support. HR team continued to focus on providing personalized support and building strong relationships with employees to develop best work relations and maintaining a motivated team.

Legal Services & **Board Secretariat Desk**

Dr. Edson Rwechungura
Head of Legal Services

In line with the principles of sound corporate governance, the Legal and Board Secretary department has demonstrated consistent growth and fulfillment of its mandate.

Throughout the year 2022, it has acted as a strategic partner to the Bank's operational departments and corporate offices, providing valuable support and guidance in various initiatives and operations. The department has played a crucial role in ensuring compliance, facilitating effective decision-making processes, and protecting the Bank's legal interests. Its contribution has been instrumental in promoting transparency, accountability, and the overall success of the Bank's endeavors.

The department has discharged its legal advisory mandate for all its internal customers across the bank from the Board of Directors, the Office of the Managing Director, Executive Directors as well as all departments and units on a prompt manner. The mandate has covered a number of varied topics relevant to the bank's operations seeking to protect the bank from potential losses which may have resulted from non-compliance with the law or from adverse claims from customers and other counterparts. As a result, the bank has been able to maintain complete compliance with the law leading to zero claims from non-compliance.

The Unit has also been advising other Departments and Units on various other areas whenever requested to do so. As well as dispensing unsolicited advisory guidance on a number of legal topics or on any developments of the law (statutory and case law) that may have an impact on the bank's lending business.

The Legal Department has also continued to play a critical role in ensuring that the bank engages in contracts that bring value to the bank. It has participated in end to end contract lifecycle management starting with negotiations, drafting and reviewing, execution, tracking as well as custody of contracts during the year. Using the Contract Management System, the Department has been able to process and disseminate important information regarding various contractual aspects for decision making. Further automation of contract management is expected to allow the department to streamline the contracts management process for better results.

Lending being the core of the bank's operations, dealing with credit documentation in a timely manner has had a critical role in improving customer experience by particularly managing total turnaround times for loan conversion. The department has worked tirelessly to ensure that all these processes are done within agreeable timelines. Currently it only takes one (1) day between receipt of documents for perfection to submitting or dispatching them for perfection on registries which is a significant reduction from previous years.

Collateral registration for the clients having no encumbrances has been shortened to an average maximum of five and seven and days for debentures and mortgages respectively. For clients whose documents have issues at registries, diligent communication and advise for viable solutions have been provided.

The department also provided secretarial services to the Board of Directors and the Management of the Bank throughout the year. Overall, the Department has continued to be an important component of the Bank's strategic direction as well as operational excellence by further embracing business partnership with business and other units of the bank.

Internal
Audit Statement

Joyce Kulwa Maduhu
Head of Internal Audit

'To help the Bank to accomplish its objectives the Internal Audit activities were designed to enhance and protect Bank's value by providing risk-based and objective assurance, advice and insight.'

Internal Audit Function has been potentially one of the most powerful tools in the Management and Board Audit Committee's armory regarding the critical role played in supporting the bank in undertaking emerging risks and effectively address them in various audit projects. The Internal Audit Function played its role to provide independent assurance that bank's risk management, governance, and internal control processes are operating effectively.

Internal Audit Function embarked its 2022 journey armed with a visionary perspective, a robust annual internal audit work plan, and well-defined goals aimed at improving our value addition. The dedicated team within Internal Audit tirelessly executed a comprehensive work plan encompassed high-impact and high-

priority engagements across various areas such as credit and business operations, information technology, finance, planning and research, procurement as well as human capital and administration.

In order to deliver the expected value to our work, we engaged subject matter experts under co-sourcing arrangement from Government Institutions and other reputable auditing firms to complement skills and strength of the internal audit team. This enhanced Internal Audit's impact, promoted stronger connections and improved service delivery with all our customers. Our service delivery fostered our outreach, negotiation, and engagement with auditees and senior management to further clarify internal audit mandate, role, and our value to the bank.

We adopted more agile audit methodology that offered deeper analysis. Audit engagements and effective reporting continued to build deeper partnerships and harmonization with bank staff, Senior Management, including the compliance and risk management function as well as the Audit Committee and Board of Directors, strengthening our ability to understand and recommend on key risks.

The Internal Audit Function is proudly acknowledging its remarkable accomplishments which contributed on improvement on:

- Accuracy, reliability, timeliness and fair presentation on financial information as well as managerial and operating information,
- Proper and economical acquisition of bank resources, technology, human capital, proper assets management etc,
- Asset management controls processes to safeguard bank's assets; physical records, data and revenue collection controls,
- Effectiveness on compliance on bank's policies and procedures, improved control and risk management processes.
- Proper identification and management of risks, recognition and addressing of governance issues impacting the bank,
- Credit and business processes as well as zonal office operations, effective customer service to clients, etc.

These achievements have taken internal audit to another level of service excellence and professionalism which we anticipate to uphold even more.

As we move forward, it is crucial for us to recognize that, the vigorous business environment necessitates our continuous alertness and responsiveness to dynamic risk landscape. This holds opportunities to remain agile and proactive in our approach. We are envisioned to stay tuned to emerging risks, industry trends, and evolving regulatory requirements to effectively anticipate and address the evolving needs of the bank.

The Internal Audit Function intends to continue to demonstrate excellence in its activities and unceasingly sharpening professional skills as trusted advisors and business partner in safeguarding bank's interests. Embracing continuous improvement is key, harnessing the power of technology and leverage our collective expertise and experience to drive sustainable growth and flexibility. Our core mandate rests to provide an independent assessment on whether control processes for managing risks and overall governance of these processes are adequately designed and functioning effectively. We therefore remain determined to play our key role in supporting the bank to be as effective as possible with strong controls and governance processes.

CSI **Report**

Amani Nkurlu
Public Relations & Marketing Manager

The year 2022 saw the bank continuing exploring opportunities to raise awareness on its products and services. The bank participated in both international and local forums and exhibitions.

The bank participated in COP27 held in Egypt. The international event that brought nations together to discuss and explore ways which the world can use to fight climate change and its negative impact. TADB believes that through climate smart agriculture, agriculture is a mean to address the climate impact as the sector that has experienced the negative effects of climate change.

Locally the bank participated in the different exhibitions and events such as the Dar International Trade Fair and Farmer's week exhibitions also dubbed Nane nane. In both events, the bank explored the opportunities in facilitating training to the general public on best agricultural practices, TADB financing model and on how one can benefit from the bank's products and services. Another local event included the Financial Services Week where TADB joined other financial service providers in the country to train and provide financial management and business management knowledge.

Through the TADB SCGS, the bank received an award as the 1st runner up of the best performing scheme under the National Economic Empowerment Council. This was resulted by the performance of SCGS in enhancing financial inclusion among smallholders in remote areas of the country growing number of beneficiaries.

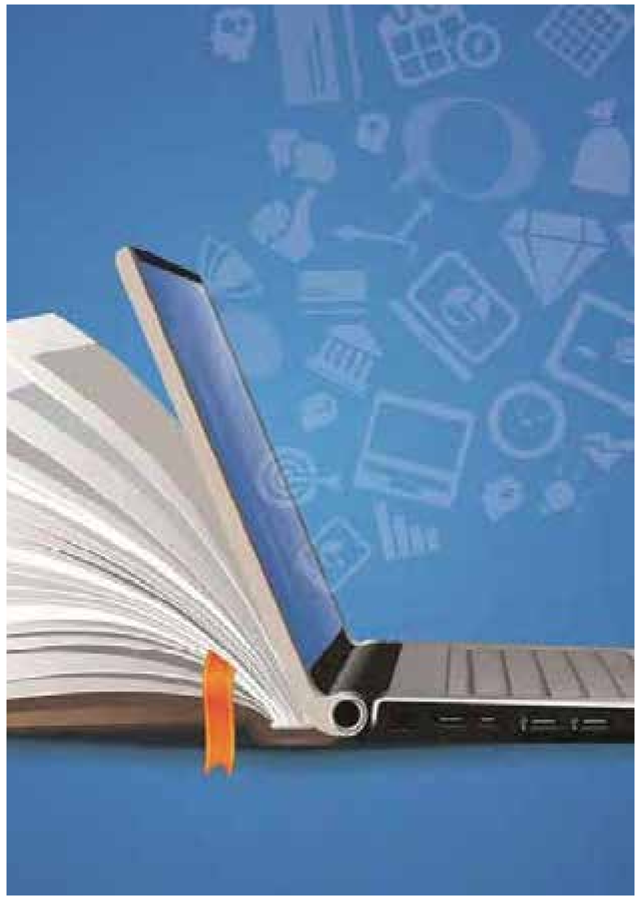
Looking Ahead

The bank will continue to look and tap into opportunities to engage with other stakeholders in enhancing transformation of the agricultural sector. Such events include participation in AGRF which Tanzania will be host country. COP28 to be held in UAE and other international engagements that will be deemed to support TADB's mission.

The bank will also participate in local events and also create environment to continue raising awareness of its products and services.

From **ICT desk**

David Nghambi
Head of ICT



The Bank has prioritized automation as a means to achieve its strategic objective of "enhancing operational efficiency and effectiveness".

The Bank has prioritized automation as a means to achieve its strategic objective of "enhancing operational efficiency and effectiveness". To ensure the successful realization of this objective, the Bank through ICT Committee comprising representatives from various departments within the organization, oversees the implementation of technologies in supporting the bank's business. In January 2021, the bank rolled out a new core banking system to automation its key business processes. The system has enabled the bank to continue offering credit facilities to farmers and be able to grow bank's assets. To fully optimize the existing system, and improve business processes through automation and digitization of manual operations, the Bank continued to improve its existing infrastructure and systems; protecting the client's information, and systems against increasingly sophisticated threats. The bank continues to integrate Cybersecurity in its infrastructure, applications and as well providing awareness to its users and customers.

In 2022, the Bank continued to enhance its technological capacity, reviewing its core banking system implementation and improving internal processes and procedures. Business process mapping, realignment, and documentation across all departments as a preliminary step before undertaking any new automation projects. This exercise aims to gain a comprehensive understanding of existing processes and identify areas where improvement is needed. The mapping exercise lays a solid foundation for future automation initiatives, setting the stage for improved efficiency and streamlined operations. During the year, the bank rolled out various initiatives aimed at simplifying services and creating more value for the end-users. In line with this, the human resources and credit processes were revisited to identify areas that needed automation.

Operational excellence remains central to our quest to build a bank of the future. A key highlight during the year was the successful setup of connectivity to our new zonal offices in southern and eastern offices and our journey to achieve ICT maturity will continue in improving service delivery, systems, and processes. In addition, the bank continued to upgrade most of its systems, including the replacement of old software, devices and successfully tested its core banking operations at a disaster recovery site. This signaling new commencement in the bank's ICT capabilities in terms of disaster preparedness and business continuity.

Risk **Report**

Kassim Bwijo
Head of Risk
& Compliance

In the TADB's business operations, risk management is a fundamental component.

The Bank is aware of aligning these efforts with the interests of all stakeholders as it works to increase shareholder value and grow its business within the specified risk parameters set by the Board. We place a high premium on finding the right ratio between risk and profit. Our ability to manage risk enables us to implement our growth initiatives in a controlled setting, ensuring the accomplishment of our goals. As a result, we constantly build and expand this capability.

The Bank recognizes the necessity for good risk management as it operates in an environment with rising levels of risk. The Compliance and Risk Management Unit is accomplished it mandate in identifying, assessing, and reducing risks that endanger the mission of the Bank in order to address this. Proactively, various initiative have been deployed to protect organizational goals, promote risk awareness, and prevent any unforeseen difficulties or setbacks in advance.

Accomplishment during the year

During the reporting period, the Unit abetted the Bank grow its clientele and reach across the country while sensibly managing risk. Furthermore, it continued to instill a culture of risk management throughout the Bank and maintained compliance levels within the specified risk appetite. With a high standard of operational risk and a focus on enhancing compliance with legal and regulatory requirements, such activities successfully enabled the Bank to manage liquidity effectively. The ongoing conflict between Russia and Ukraine, the impact of climate change on agriculture, the impact of extreme weather events like droughts, and the lingering effects of COVID-19 all posed challenges to the bank's operations, both directly and indirectly. The bank continued to implement effective risk management to address these issues.

Looking ahead for 2023

For the coming years 2023, TADB will introduced revise processes, and strengthened risk management frameworks while automating and streamlining the enterprise risk management system (ERMS) to ensure business performance and continuity. Alongside, the Bank's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance.

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.

Chapter **5**
Corporate Governance

Board **Profile**

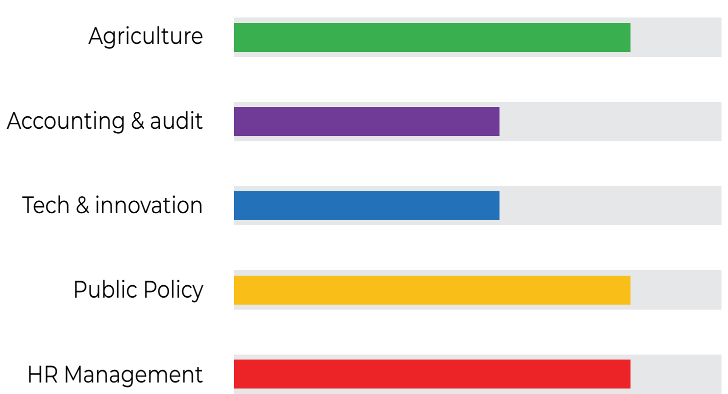
BOARD TENURE

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 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 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 **Biographies**

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).

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, a few to mention.

William Michael Mhoja has severed as a board member at the Tanzania Agricultural Development Bank (TADB) since January 2017.

Board **Biographies**

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.

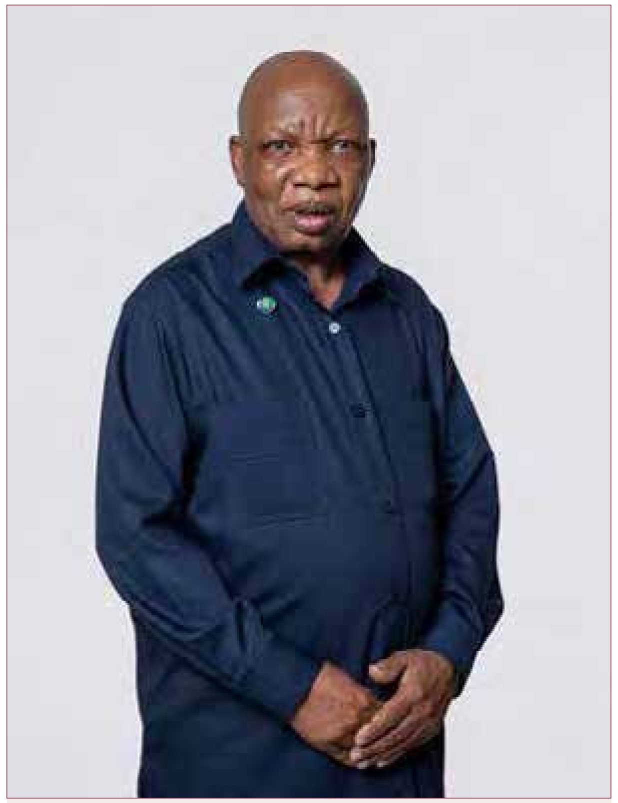
Hussien Hassan Mbululo has served as a board member at the Tanzania Agricultural Development Bank (TADB) since April 2016.

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.



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. Education goes beyond building expertise in various subject matters, to cultivating a sense of curiosity towards life and how parts work together.

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

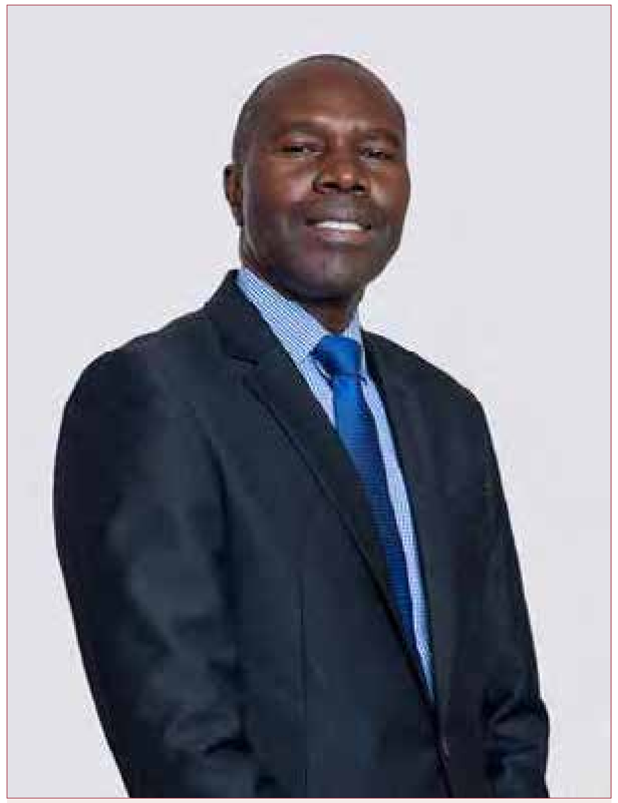
ASSUMPTER NSHUNJU MSHAMA
MEMBER

Ms. Assumpter Mshama is a retired senior public servant having served as a District Commissioner for) Wanging'ombe District in Njombe Region (2015-2016) and Kibaha District in Coast Region (2016-2020. In her capacity, she pioneered a number of significant public interest initiatives in her areas of administration touching basic community life such as education, environmental conservation and agriculture. Her stint in these positions and the initiatives she engineered underscore not only her leadership capabilities but also her innovative and proactive approaches to addressing social and economic issues.

She has as served as a Member of Parliament for Nkenge Constituent in Kagera Region. Whilst serving as a Parliamentarian, Ms. Assumpter had the honour of being appointed to several Committees on different occasions. She was appointed as the Deputy Chairperson of Committee No.5 of the Special Constituent Assembly that had been considering Constitutional Review (2014), a member of the Parliamentary Social Services Committee (2022- 2013), a member of the Parliamentary Privileges, Ethics, and Powers Committee (2014-2015), and a Member of the Parliamentary Budget Committee (2014-2015). Needless to say, Ms. Assumpter has been an instrumental figure with recognition among peers.

She has also been a Board Chairperson of the Kibaha Education Centre, an organization which multifaceted mandates to address various Community issues. She successfully provided leadership to this organization which owns projects ranging from schools, both primary and secondary, a tertiary level college, a hospital, as well as other economic value generating projects. Ms. Assumpter Mshama was appointed to TADB Board of Directors in August 2022.

Board **Biographies**



SIMON MIGANGALA MILENG
MEMBER

Migangala Simon 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.
Migangala Simon Milenge 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 the 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 is also a Diplomat with a speciality in Economic Diplomacy as well as a Certified Director by the Instituteof Directors Tanzania (IoDT). Frank is a results-oriented, decisive leader with proven success in managing banking businesses in Tanzania for more than a decade at the senior management level. He has superior interpersonal skills and capable of motivating and monitoring teams and evaluate their performance through performance management systems by using key performance indicators to achieve the best performance. Frank excels in business strategy formulation and execution.

Frank Mugeta Nyabundege has also served in different government entities as a board member the most recent ones being High Education Students' Loan Board and National Ranching Company Limited (NARCO). As Managing Director, Frank also serves as a board member since his presidential appointment in August 2021.

PRUDENCE MASAKO
MEMBER

Ms. Prudence possesses over 19 years of experience in leadership and project management with experience in leading large, diverse teams on complex, multi-million dollar, and multi-partner funded programs.

She is enthusiastic about transforming communities and ensuring women and girls have the space to achieve their full potential. Ms. Prudence has partnered with different organizations, including Government, to design end- end transformative programs which engage the community and its members to create supportive environments for women. She brings experience in various sectors, including Health, Nutrition, Wash, Education, Economic Strengthening, Services Governance, Social marketing, Agriculture, and Hospitality.

She is the Country Director of CARE International in Tanzania, providing the overall leadership of the Country's portfolio and overseeing the CARE International Strategic Mission and Vision in addressing poverty through social justice, especially for women and girls, in line with national priorities and development initiatives. Before CARE, she worked with EngenderHealth as the Country Representative. She holds a BSc. Home Economics and Human Nutrition from the University of Sokoine, Tanzania; a Post Graduate Diploma in Public Health in Developing Countries (MPH) from the London School of Hygiene and Tropical Medicine, UK, and a Master of Science. Public Health in Developing Countries from the University College of London.

Ms. Prudence is a recipient of several prestigious fellowships, including the International Ford Foundation Fellowship for Social Change, the Kofi Annan Fellowship for Global Health Leadership Programme, and a recipient of several women leadership awards: A Pioneering Woman Leader Award (2020), East Africa Woman Leader Award (2019), 50 Top Women in management in Tanzania from Women in Management, Africa (2020). Prudence has been featured in the coffee table, Pivoting in Heels (2023), casting stories of how 60 women leaders in Tanzania navigated their various roles and success in their work during COVID-19. Ms. Masako has also been named among the Top 100 Career Women in Africa (2023). Ms. Masako serves on four boards in different capacities.

Management Team

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

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

Frank Mugeta Nyabundege
Managing Director

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

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

Mzee Kilele
Director of Planning, Research & Policy

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

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

Dr. Kaanaeli Nnko
Director of Finance

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

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

Dr. Edson Rwechungura
Head of Legal Services

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

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

Noelah Ntukamazina
Head of Human Capital & Administration

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

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

Afia Sigge
Ag. Director of Credit & Business

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

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

David Nghambi
Head of ICT

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

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

Kassim Bwijo
Head of Risk & Compliance

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

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

Joyce Maduhu
Head Internal Audit

Chapter **6** Financial Statements

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS AND COMPLIANCE AUDIT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

About the National Audit Office

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.

TABLE OF CONTENTS

CORPORATE INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2022

Country of incorporation	Tanzania
Establishment	Companies Act no. 2 of 2002 Banking and Financial Institutions Act, 2006
Principal place of operation, **Head office** **and registered 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 Tanzania Commercial Bank Plc PSSSF Millennium Tower II Bagamoyo Road P.O. Box 9300 Dar es Salaam, Tanzania CRDB Bank Plc Ali Hassan Mwinyi Rd P.O. Box 268 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 Controller and Auditor General, National Audit Office, 4 Ukaguzi Road, P.O. Box 950, 41104 Tambukareli, Dodoma, Tanzania. Deloitte & Touche Certified Public Accountants 3rd Floor, Aris House Plot 152, Haile Selassie Road P.O. Box 1559, Dar es Salaam, Tanzania

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

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

1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Unqualified Opinion

I have audited the financial statements of Tanzania Agricultural Development Bank Limited ("TADB" or "the Bank"), which comprise the statement of financial position as at 31 December 2022, 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, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of Tanzania Agricultural Development Bank Limited as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

Basis for Opinion

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

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 of 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.

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)

Key Audit Matters (Continued)

Key audit matter	How my audit addressed the key audit matter
Expected Credit Losses (ECL) on loans and advance to customers	
At 31 December 2022, the Bank had a total gross loans and advances to customers of TZS 277 billion with expected credit losses of TZS 12.7 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.	• 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; • 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.

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)

Other Information

Management is responsible for the other information. The other information comprises the Report of Those Charged with Governance and the Declaration by the Head of Finance but does not include the financial statements and my audit 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 on the other information that I obtained prior to the date of this audit report, 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 Management and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Companies Act, 2002 and Banking and Financial Institutions Act, 2006 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 for the Audit of the Financial Statements

My objectives are 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 Standard on Auditing (ISAs) and International Standards of Supreme Audit (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. As part of an audit in accordance with ISSAIs, 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 expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)

conditions may cause the entity 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit. I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

In addition, Section 10 (2) of the Public Audit Act, Cap 418 requires me to satisfy myself that, the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Section 48(3) of the Public Procurement Act, 2011 (as amended by the Public Procurement (Amendment) Act, 2016) requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

1.2 REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1.2.1 Compliance with Banking and Financial Institutions Regulations

As required by the Banking and Financial Institutions (External Auditors) Regulations, 2014 of Tanzania, I report to you, based on my audit, that.

In my opinion, the capital adequacy ratios as presented in Note 5.5 to the financial statements have been computed in accordance with the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014 of Tanzania.

1.2.2 Compliance with the Public Procurement Laws in Tanzania

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 ended 31 December 2022 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.

1.2.3 Compliance with the Budget Act and other Budget Guidelines

Subject matter: Budget formulation and execution

I performed a compliance audit on budget formulation and execution in the Tanzania Agricultural Development Bank Limited for the financial year ended 31 December 2022 as per the Budget Act and other Budget Guidelines.

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)

Conclusion

Based on the audit work performed, I state that, the budget formulation and execution of Tanzania Agricultural Development Bank (TADB) is generally in compliance with the requirements of the Budget Act and other Budget Guidelines.

Salhina M. Mkumba
Ag. Controller and Auditor General
Dodoma, United Republic of Tanzania

May 2023

2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

2.1 INTRODUCTION

The Directors present their report together with the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of Tanzania Agricultural Bank Limited ("the Bank" or "TADB").

2.2 INCORPORATION

TADB is a state-owned development finance institution (DFI) established under the Companies Act, 2002 and given Certificate of Incorporation no. 94075 on 26 September 2011.

2.3 BANK'S VISION

To be a champion of sustainable agricultural transformation in Tanzania.

2.4 BANK'S MISSION

To catalyze agricultural transformation through innovative financing solutions that aim to develop sustainable and inclusive value chains, promote economic growth, food security and the reduction of poverty.

2.5 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.

2.6 RESULTS

The Bank's financial results for the year are set out on page 42 and summarized below:

	2022 TZS '000	2021 TZS '000
Profit before tax	15,637,978	16,030,059
Tax expense	(4,448,975)	(5,081,951)
Profit after tax	11,189,003	10,948,108

2.7 DIVIDENDS

During the year a dividend of TZS 1.05 billion was paid, out of which TZS 550 million relates to 2021 and TZS 500 million relates to 2020.

The Directors recommend payment of dividend amounting to TZS 600 million for the year ended 31 December 2022.

2.8 PERFORMANCE FOR THE YEAR

The Bank achieved a profit before tax of TZS 15.64 billion, compared to a profit of TZS 16.03 billion in 2021, representing a 2% decline year-on-year. This decline is largely attributed to increased costs from expansion activities (opening two zonal offices and an increase in staff headcount of 27).

2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

2.8.1 Operating Income

Operating income is a summation of net interest income (TZS 32.7 billion) and net non-interest income (TZS 4.1 billion). Operating income for the year 2022 rose by 14% to close at TZS 36.8 billion, compared to TZS 32.3 billion in 2021. This increase was mainly attributed to the higher interest income generated from investments in government securities and loans and advances from customers. During the period, the Bank disbursed nearly TZS 161.6 billion in funding to various production, agro-processing, storage facilities, and aggregation sectors. Furthermore, Non-interest income rose by 63%, driven by the increase in the loan book.

2.8.2 Credit impairment and Non-Performing loans

As of 31 December 2022, the Bank NPL ratio was 5.86% (2021: 6.09%) which is above the Bank of Tanzania threshold of 5%. The improvement in NPL ratio from previous year was due steps taken such as increasing credit monitoring, tightening credit standards, and diversifying loan portfolios. The Bank expects to close below the statutory limit in 2023.

2.8.3 Administrative Expenses

During the year, total administrative expenses reached TZS 17.06 billion, reflecting a 25% increase from the prior year's levels of TZS 13.60 billion, or TZS 3.45 billion. This growth was primarily driven by a surge in business activity, as well as the Bank's ongoing investments in new zonal offices and additional headcounts, aimed at aligning its operations with its strategic intent.

2.9 SOLVENCY

The Bank's state of affairs as at 31 December 2022 is set out from page 43 of these financial statements. The Board of Directors considers the Bank to be solvent within the meaning ascribed by the Companies Act, 2002.

2.10 STATEMENT OF CORPORATE GOVERNANCE

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 are 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.

DIRECTORS' REPORT (CONTINUED)

2.10. STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

The Directors of the Bank at the date of this report, who have served since 1 January 2022 unless otherwise stated, are:

S/N	Name	Position	Age	Qualification/ Discipline	Nationality
1.	Mr. Ishmael Kasekwa	Chairman	65	Masters' Degree in Business Administration, Certified Public Accountant	Tanzanian
2.	Mr. Migangala Simon Milenge	Member	51	Masters' Degree in Business Administration, Certified Public Accountant	Tanzanian
3.	Dr. Abdul Ally	Member	52	Doctor of Financial Management	Tanzanian
4.	Mr. Daniel Masolwa	Member	54	Masters' Degree Economics	Tanzanian
5.	Mr. Hussein Hassan Mbululo	Member	69	Masters' Degree in Finance	Tanzanian
6.	Prof. Ntaengua Mdoe	Member	71	Professor of Agriculture-Production and Farm	Tanzanian
7.	Mr. William Mhoja	Member	54	Master of Arts in Economic Policy Management	Tanzanian
8.	Mrs. Assumpter Nshunju Mshama*	Member	62	Doctor of Divinity	Tanzanian
9.	Mr. Frank Nyabundege	Member and Managing Director	48	Masters' Degree in Business Administration	Tanzanian

*Appointed during the year

DIRECTORS' REPORT (CONTINUED)

2.11 COMPANY SECRETARY

The Bank's Company Secretary as at 31 December 2022 and during the year was Dr. Edson P. Rwechungura.

2.12 BOARD APPOINTMENT

The Board of Directors is made up of non-executive Directors and one Executive Director who is also the Managing Director. The Managing Director is a Member of the Board by virtual of his office. 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 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.

2.13 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 per business requirements.

The Board's work plan together with the calendar of meetings for 2022 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 7 times: Four (4) ordinary meeting and three (3) extra ordinary meetings. Below is a summary indicating the number of meetings attended by Members of the Board/Committee during of the financial year 2022:

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

2.14 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 for the Bank. Her Excellency, the President of the United Republic of Tanzania, appoints the chairperson of the Board and the Minister of Finance and Planning appoints other members for the tenure of three (3) years renewable.

DIRECTORS' REPORT (CONTINUED)

2.14 BOARD STRUCTURE (CONTINUED)

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.

The Board Committees assist the Board in carrying out its responsibilities. In deciding committee memberships, the Board endeavors 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.

2.14.1 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 main role of the Audit, Risk and Compliance Committee is to evaluate the Bank's policies, the adequacy of its financial reports, internal controls and risk management, and the effectiveness of the internal and external audit functions. The committee also ensures compliance with regulatory and financial reporting requirements, oversees the relationship with external auditors, and confirms that management has implemented available control procedures effectively.

The members of the committee at the date of this report, who have served since 1 January 2022, are:

S/N	Name	Position	Age	Nationality
1	Mr. Daniel Masolwa	Chairperson	54	Tanzanian
2	Mr. Migangala Simon Milenge	Member	51	Tanzanian
3	Mr. William Mhoja	Member	54	Tanzanian

2.14.2 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 2022, are;

S/N	Name	Position	Age	Nationality
1	Mr. Migangala Simon Milenge	Chairperson	51	Tanzanian
2	Mr. William Mhoja	Member	54	Tanzanian
3	Prof. Ntaengua Mdoe	Member	71	Tanzanian

DIRECTORS' REPORT (CONTINUED)

2.14 BOARD STRUCTURE (CONTINUED)

2.14.3 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.

The members of the committee at the date of this report, who have served since 1st January 2022, are:

S/N	Name	Position	Age	Nationality
1	Mr. Hussein Hassan Mbululo	Chairperson	69	Tanzanian
2	Dr. Abdul Ally	Member	52	Tanzanian
3	Prof. Ntaengua Mdoe	Member	71	Tanzanian

2.14.4 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 Banking and Financial Institutions (Development Finance) Regulations 2021 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 anyway, 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.

2.14.5 Directors Remuneration

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

2.14.6 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.

2.15 ACCOUNTING POLICIES

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) as detailed in note 3.21.

DIRECTORS' REPORT (CONTINUED)

2.16 MANAGEMENT COMMITTEE

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;
- ICT Steering Committee;
- Business Development Committee;
- Management Tender Board Committee; and
- Loan Portfolio Quality Committee;

2.1.6 MANAGEMENT TEAM

The management of the Bank is under the Managing Director (MD), assisted by the following:

Title	Role
Chief of Staff	Manage the Managing Director's office, including plans and follow up with Management team in implementing the Managing Director's directives.
Director of Finance	Supervisor of all financial decisions, responsible for preparation of financial results of the Bank, leader of treasury team and resources mobilization
Director of Planning, and Research	Leader of planning and research
Head of Risk and Compliance	Leader of risk and compliance team, chief implementer of risk ant compliance related strategic directives
Director of Credit and Business	Leader of business team, credit appraisal team, zonal offices and recovery team
Head of Legal and Company Secretary	Leader of legal team, chief representer of the Bank in all legal preceding and act as Secretary during Board Meeting
Head of Human Capital and Administration	Leader of human resource, chief implementer of staff related strategic directives and administration related strategic directives
Head of Information and Commination Technology	Leader of Bank information and communication technology and primary implementer of technology directives
Manager, Procurement & Stores	Leader of procurement related activities and Chief implementer of Procurement plan.

DIRECTORS' REPORT (CONTINUED)

2.1.6 MANAGEMENT TEAM (CONTINUED)

The Head of Internal Audit (HIA) reports directly to the Board through the Audit, Risk and Compliance Committee. However, the HIA also reports to the MD for administrative purposes.

Set out in the table below, are the names of the Management team:

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

2.18 INTERNAL AUDIT FUNCTION

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

2.19 SHAREHOLDERS OF THE BANK

The total number of shareholders during the year which has not changed since the beginning of prior year was one shareholder (2021: one shareholder). The shares of the Bank are held as follows:

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

*The Treasury Registry own share on behalf of the Government of United Republic of Tanzania.

2.20 STOCK EXCHANGE

The Bank is not listed on any stock exchange market.

2.21 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.

DIRECTORS' REPORT (CONTINUED)

2.22 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 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 organizational performance.

2.23 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.

2.24 MARKET OVERVIEW

During the year 2022, the economy of Tanzania performed well as per reports issued by the Bank of Tanzania. In the first three quarters of 2022, real GDP growth averaged 5.2%, compared with 4.8% in the corresponding period in 2021, mainly driven by agriculture, construction and manufacturing. The African Development Bank (AfDB) projects Tanzania to grow at around 5% and 5.6% in 2022 and 2023, respectively, due to improved performance in tourism and reopening of trade corridors.

Furthermore, the economy sustained an upward trend in headline inflation before stabilizing at 4.8% in December 2022, off the back global supply chain disruption caused by Russia/Ukraine conflict and after effects of COVID-19, continued to exert pressure on commodity prices, particularly food and energy. Despite the increase, it remained consistent with the country target of 5.4% for 2022/23 and with EAC and SADC benchmarks, and lower than most countries in EAC and SADC.

Interest rates charged by banks on loans remained almost unchanged from the preceding and corresponding month in 2021. The overall lending rate was around 16%, while negotiated lending rates were around 14%. Meanwhile, deposit rates increased, with the overall deposit interest rate averaging at 7.34%, compared with 6.74% in 2021.

Overall, the banking sector in 2022 exhibited a strong performance, remaining profitable, adequately capitalized in aggregate and the level of liquidity was satisfactory. There was an increase in both deposits and assets, while asset quality also improved. The average Capital Adequacy Ratio (CAR) was 18.2%, exceeding the minimum regulatory requirement of 10%. Notably, the quality of assets in the sector showed improvements, with non-performing loans (NPL) improving to 5.8% as at December 2022. This was a significant achievement, as it is close to the desired level of 5% and marks a substantial reduction from the high levels of around 13% experienced in 2017.

2.24 MARKET OVERVIEW (CONTINUED)

Agriculture Sector Performance and highlights

The agriculture sector is a vital sector for the economy, employing about 65% of the population and accounting for about 30% of the country's GDP. In 2022, the sector performed relatively well, with some notable achievements recorded. One of the highlights was the increase in agricultural productivity and production, which was attributed to the implementation of various government policies and initiatives such as the Agriculture Sector Development Programme (ASDP) aimed at supporting smallholder farmers.

Additionally, strong growth was observed in credit to the private sector, averaging 21.9% during the first half of 2022/23, which exceeded the 2022/23 target of 10.7%, due to improved economic conditions. All major economic activities experienced positive credit growth, with the agriculture sector recording the fastest growth rate of 46.1%. The high credit growth in agriculture was influenced by monetary policy measures implemented in July 2021 and Government initiatives aimed at boosting the sector.

Climate smart agriculture through the deployment of technology is playing an increasingly significant role in improving the agriculture sector in Tanzania. In 2022, a variety of technological advancements introduced were being widely adopted, including precision farming, mobile applications, and climate information services, which have helped to increase efficiency, productivity, and profitability in the sector.

Precision farming uses data and analytics to optimize crop yields, reduce input costs, and minimize waste. Mobile applications are being used to provide small-scale farmers with access to real-time market information, weather forecasts, and other critical data, allowing them to make informed decisions and improve their bargaining power.

Climate information services are also helping farmers to adapt to changing weather patterns and adopt climate-resilient practices. These technological advancements are not only increasing productivity but also opening up new markets for agricultural products, improving food security, and creating new opportunities for economic growth in Tanzania.

TADB has continued to play a crucial role as a catalyst in transforming the agriculture sector in Tanzania, with a particular focus on supporting marginalized small-scale farmers. The bank continues to provide financing solutions that cater to the unique needs of small-scale farmers who often have limited access to credit, helping bridge the funding gap that can limit their ability to invest in their farms. In 2022, the Bank continued to offer technical assistance and training to help farmers improve their production methods, market access, and value addition. By doing so, TADB is contributing to the growth of the agriculture sector and promoting food security, while also reducing poverty in Tanzania.

DIRECTORS' REPORT (CONTINUED)

2.25 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	2022	2021
Return on equity	Profit after tax/Total equity	3.70%	3.70%
Return on assets	Profit after tax /Total assets	2.50%	3.02%
Cost to income ratio	Total costs/Profit after tax	46.31%	42.07%
Interest margin on earning assets	Total interest income/ (Government securities + inter-Bank loan receivables + net loans, advances and overdrafts)	8.76%	9.81%
Non - interest income to Gross income	Non - interest income/Total income	11.04%	2.68%
Non - performing loans to gross loans	Non-performing loans/gross loans and advances	5.86%	6.09%
Earning assets Ratio	Earning assets/Total assets	85.40%	88.16%
Net interest income growth	(Current year net interest income/ prior year net interest income) - 1*100	9.77%	15.24%
Asset growth	(Current year total assets/ prior year total assets) - 1*100	23.41%	(3.72%)
Loans growth	(Current year net loans and advances/prior year net loans and advances) – 1*100	73.63%	25.77%
Capital adequacy			
Tier 1 Capital	Risk weighted assets including off-statement of financial position items/Core capital	96.81%	150.28%
Tier 1+Tier 2 Capital	Risk weighted assets including off-statement of financial position items/Total capital	96.81%	150.28%

2.26 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 the Bank is exposed, with procedures intended to provide effective internal financial control. However, it is recognized that such a system can only provide reasonably, 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.

DIRECTORS' REPORT (CONTINUED)

2.26 RISK MANAGEMENT AND INTERNAL CONTROLCONTINUED)

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 Board Audit, Risk, and Compliance Committee and provides an independent assurance that the Bank and business standards, policies, and procedures are being complied with.

The Bank has a Risk and Compliance department that performs a centralized risk management coordination function in the Bank and reviews the compliance framework to ensure a high degree of compliance with the regulatory requirements and internal policies and procedures.

2.26.1 Liquidity Management

Liquidity management evaluates the Bank's ability to meet its commitments as they fall due and whilst maintaining confidence in the market to be able to replace funds when they are withdrawn. Liquidity management evaluates the Bank's ability to meet its commitments as they fall due and 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;
- Maintaining a robust and effective contingency funding plan.

2.26.2 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.

The Bank's objective is to manage operational risks to balance the avoidance of financial losses and damage to the Bank's reputation with all cost effectiveness and innovation. In all cases, Banks require 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 and Compliance 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; and
- ethical and business standards; and risk mitigation, including insurance where this is cost effective.

DIRECTORS' REPORT (CONTINUED)

2.26 RISK MANAGEMENT AND INTERNAL CONTROLCONTINUED)

2.26.2 Operational risk (Continued)

The program of periodic reviews undertaken by internal audit supports compliance with the Bank standards. The results of internal audit reviews are discussed with the operational risk team and submitted to the Board Audit, Risk and Compliance Committee of the Bank

2.26.3 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. TADB arranged its affairs in a prudent manner in order to appropriately mitigate its compliance risk.

TADB has zero tolerance to breaches of compliance statutory, regulatory and supervisory requirements. Procedures for identifying, assessing, monitoring, controlling and managing compliance risk are covered in the Bank's compliance regulatory universe and compliance risk management plan; standards, manuals and other existing related compliance policies such as Outsourcing policy, KYC & AML Policy.

The Board of directors has delegated the responsibility for compliance risk to its Bank Compliance risk team under Risk and Compliance department. The responsibility is supported by the overall Bank standards for the management of compliance risk in the following areas;

- Requirement for implementing the compliance risk management system;
- Requirement for establishing an effective organizational structure for compliance risk management, and be in regular contact with employees that are directly responsible for conducting compliance risk management (institution's compliance staff and lawyers);
- Requirement for Ensuring that all employees are working in order to protect the institution's reputation;
- Requirements for Ensuring that sufficient human and technical resources are devoted for compliance risk management; and
- Requirements for Ensuring ongoing compliance training that covers compliance requirements for all business lines, particularly when entering new markets or offering new products.

2.26.4 Credit risk

Credit risk is the risk of loss arising out of failure of counterparties to meet their financial or contractual obligations when due. It is composed of counterparty risk, concentration risk, and country risk. The management of the Bank's credit risk is vested in the Directorate of Business and Credit under the supervision of the Credit Committee. The internal audit unit undertakes regular audits of the credit processes and management

2.26.5 Market 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 to TADB refers to the risk resulting from movements in market prices, in particular, changes in interest rates, foreign exchange rates, and equity and commodity prices. The Bank has stringent controls and monitoring mechanisms in place to limit its exposure to market risk.

DIRECTORS' REPORT (CONTINUED)

2.16.6 Strategic risk

Strategic risk concerns the consequences that occur to current or prospective risk in earnings and capital 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.

2.16.7 Reputational risk

The risk that an activity, action or stance taken by the Bank's officials will impair its image to customers, counter parties, regulators 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.

The Bank has an obligation to ensure that it performs its functions and maintains its reputation as a Financial Institution in line with requirements. The Bank's management ensures that to the best of its ability fulfils its responsibilities. The Bank adheres to the best practices and applies principle of sound corporate governance. It also ensures that all relevant employees have clear understanding of the appropriate processes in respect of the best practices and principals of good governance.

The Bank therefore sets out policies and procedures that govern sound functional operations within the Bank. The performance of these policies and guidelines are periodically reported to different levels of the Bank's management for control and compliance monitoring.

The senior management of the Bank has the necessary freedom and discretion to exercise day-to-day activities and functions of the Bank. However, this freedom is exercised within the context of duties of good governance and by ensuring a proper balance between accountability and the best interests of the Bank and its various stakeholders.

2.27 EMPLOYEES' WELFARE

As a Bank, our 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 between 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. Various measures are taken to interact effectively with employees through interpersonal and formal communication channels, staff meetings as well as worker's council.

The Bank is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is 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.

The Bank has further improved staff provision for medical services with a wide range of supplementary medical services being offered. The Bank encourages physical health activities and has recently introduced mental health programs to create awareness.

DIRECTORS' REPORT (CONTINUED)

2.27 EMPLOYEES' WELFARE (CONTINUED)

2.27.1 Training

To achieve our vision, Intellectual capital is an intangible asset that contributes to TADB's financials and non-financials (developmental) performance. In 2022 the Bank focused on leadership development programs, performance management, compliance and governance, technical programs in agricultural financing as well as climate change, mental health, financial literacy as well as continuous development programs (CPDs) for professionals.

The Bank designed and deployed an internal program on leadership with a focus on self-awareness, team development and business performance. Further availability of LinkedIn Learning courses for self-development and technical development has been encouraged. The TADBees Lounge has continued to be a connector in sharing ideas and thoughts among staff.

2.27.2 Medical assistance

The Bank through Human Resources & Administration is dedicated to ensuring that a culture of safety prevails at all times. A safe working environment is ensured for all employees and contractors by providing personal protective equipment, training and supervision as necessary.

2.27.3 Health and safety

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

2.27.4 Financial assistance to staff

Loans are available to all employees and governed by the Staff Credit Policy.

2.27.5 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.

2.27.6 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 Human Resources 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.

2.27.7 Employee pension benefit plan

The Bank contributes to publicly administered pension plans on a mandatory basis that qualifies to be a defined contribution plan. The number of employees on the contribution plan at end of the year was 105.

DIRECTORS' REPORT (CONTINUED)

2.28 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 2022.

Gender	2022	%	2021	%
Female	34	32%	22	28%
Male	71	68%	56	72%
Total	105	100%	78	100%

2.29 RELATED PARTY TRANSACTIONS

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

2.30 POLITICAL AND CHARITABLE DONATIONS

The Bank did not make any political donations during the year. During the year ended 31 December 2022, the Bank spent TZS 555.38 million on various organizations and programs 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 SACCOS, AMCOs farmers, and agricultural groups.

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

2.31 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 Company minimizes its impact through the better use of its premises and inbuilt facilities to ensure that there is proper waste management.

2.32 OVERVIEW OF KEY PROJECT AND BUSINESS

- The Loan amount worth TZS 161.6 billion were disbursed during the year 2022. The loans were addressed to finance AMCOS, Co-operatives, SME's, 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, Irish 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 10 warehouses in the lake zone for cotton and Maize chains, Western zone for Paddy and Eastern zone for Maize and Paddy.
- 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, eight big projects have been fully supported financially in the Southern highlands, Southern, eastern and central zone.

DIRECTORS' REPORT (CONTINUED)

2.32 OVERVIEW OF KEY PROJECT AND BUSINESS (CONTINUED)

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. The Bank disbursed loans worth TZS 100.3 Billion for 2022 to key impactful projects. The loans disbursed benefited 28,180 smallholder farmers across the entire country.

b. All six (6) zone under TADB's operational coverage (Eastern, Lake, Southern Highlands, Southern, Central and Western) were covered. Plan is to widen up zonal operation by opening up new zone in Northern circuit and Zanzibar by the year 2023/2024.

c. Sugarcane - TZS 12.06 billion disbursed to support finalization of phase I 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 currencies 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 2.61 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. Moreover, TZS 0.932 billion disbursed to support manufacturing of 4 fishing vessels (12M) to be leased to smallholder fisherman in Kilwa and Mafia. Additionally, TZS 0.160 billion disbursed to Youth led project to support designing and constriction of modern fishpond infrastructure for women beneficiaries in Southern part of Tanzania. TADB for the year 2022 financed three fishing projects in the Eastern Zone and two fishing projects in the Lake zone.

e. Poultry – TZS 5.3 billion disbursed of which the project entails construction of modern chicken houses, investment in modern poultry equipment and access to quality chicks (Day Old Chicks) and feeds. TADB intervention in the poultry subsector is to enhance production and productivity aiming at increasing the rate of supply of eggs that are essential in improving nutrition within the local community households. Therefore, through financing poultry production TADB ensures one of its objectives is met which is reducing poverty by increasing the supply of eggs within the local markets and regional markets as well. The poultry production is expected to impact over 2,000 consumers in Dar es Salaam and over 1,500 consumers within the local markets in Iringa.

f. Livestock (Dairy and Beef) – TZS 13.38 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). The bank continues to transform Maasai livestock keepers to adopt commercial fattening. Specifically, in Coastal region, the Bank disbursed TZS 430 million to 6 Maasai to implement livestock fattening for beef and link them to a commercial farmer and off taker for technical assistance and market assurance. In line with that, the Bank has facilitated purchase of 211 heifers at central zone to support small holders' farmers on dairy production and stable income generation.

g. Horticulture Production - TZS 706 million has been disbursed to horticultural sector, specifically fruits production, where Capital expenditure to finance to support installation of irrigation infrastructures and working capital for procurement of inputs. This has been done to boost horticulture value chain actors as the fruits will later be exported, hence creating impact with in each actor of the value chain by boosting productivity.

h. Coffee farming- A total of TZS 56.9 billion has been approved and disbursed to finance the coffee value chain sector, where the amount covers working capital for procurement of coffee pulping machines that will help improve the quality of the coffee produce as means of preventing post-harvest loss. Moreover, TADB through southern highland and Lake Zone has managed to finance the whole coffee production value chain that starts with pre-harvesting activities by provision of short term loan to support procurement of inputs to boost production. Facilitating trade financing, for procurement of the already harvested

DIRECTORS' REPORT (CONTINUED)

2.32 OVERVIEW OF KEY PROJECT AND BUSINESS (CONTINUED)

The financed projects under Integrated Agricultural Value Chain Financing (Continued)

coffee parchments to avoid side selling of the produce and ensure they reach the intended market. Finally, yet importantly, providing them with medium term loan as capital expenditure procurement of coffee pulping machines and hence prevent post- harvest losses from occurring.

i. Mechanization-TZS 3.25 billion disbursed to support access to modern farming technologies and mechanization. 17 Tractors were funded to support access to mechanization by smallholder farmers and facilitate farms productivity for farmers in Manyara, Singida and Dodoma. In Eastern zone, 5 tractors, 2 slashers, 2 boom sprayers and 1 harrow were funded to support access to mechanization to smallholder and commercial farmers that promote expansion of new farms for crop farming (sisal, paddy and maize and other cereals) in Tanga. In Western zone, twenty-seven (27) units of mechanizations benefited 1,800 smallholder farmers that includes tractors, trailers, combine harvester, rotavator, disc plough, ripper, harrow, thresher and Irrigation equipment were financed in Katavi and Kigoma.

j. Edible Oils – TZS 348 million disbursed to support farmers' access inputs and working capital for sunflower production. Three (3) AMCOS comprised of 250 members benefited moreover TZS 182 million of the disbursed loans facilitated construction of solvent extraction plant to ensure efficiency in sunflower processing. TADB intervention is in line with import substitution strategy implemented by Ministry of Agriculture in edible oils.

k. The loans disbursed benefited 209,300 smallholder farmers in Lake Zone. District coverage was expanded from former 28 to 31 districts out of the 33 Districts in Lake Zone that was 6% increase. Plan is to have projects in all Lake Zone districts before end of 2023.

l. Cashewnut – TZS 600 million disbursed to cater for cashew processing activities and covering working capital financing requirements. TADB Intervention in cashew chain, stood to be a cornerstone towards extension of employment opportunities in the southern circuit where by more than 400 jobs were created directly from financed processing project in Mtwara, in line with financial empowerment of small scale holders in Namtumbo district. The financed processing project affected positively the increase of cashew exportation volume directly to Europe leading to favorable balance of trade.

m. Grapes subsector – TZS 250 million disbursed to support purchase of grapes subsector. At least 150 smallholder farmers benefited by securing market to their grapes. Moreover, the Bank approved TZS 6.4 Billion for support establishment largest winery factory in the country with capacity to store 3,000liters of wine. Partial utilization of TZS 10million has already been effected, and balance is expected to be fully utilized during 2023. Completion of this project is expected to address current market challenges.

n. Bank disbursed loans worth TZS 3.5 billion to support inputs and stock finance for beans projects mostly in Kigoma which benefited 2,500 small holder farmers.

Key interventions on Improving Post-Harvest Management

For the year 2022, 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) and Annual Development Plans/Budgets (Ministry of Agriculture and Ministry of Livestock and Fisheries). The ultimate focus is 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 surpassed the targeted KPI as at 31 December 2022 by 13% on financing post-harvest management facilities (Warehouses, cold storage facilities, Silos). Continuous efforts are dedicated in 2023 to enhance extension of financing volume for the post-harvest management facilities.

DIRECTORS' REPORT (CONTINUED)

2.32 OVERVIEW OF KEY PROJECT AND BUSINESS (CONTINUED)

Key interventions on Improving Post-Harvest Management (Continued)

- Overall performance under the priority was mixed. A satisfactory performance was achieved in funding commodity trading directly (43 trade deals were funded directly against the annual target of 28). A satisfactory performance was also achieved in the funding of storage warehouses (nine warehouses funded against the annual target of 8). However, performance in funding silos and cold storage facilities was low with none silo and cold facilities funded against the annual target of three and five respectively. Similarly, the funding of agro-processing factories has considerably improved in relation to 2021 performance, recording 16 facilities funded during the 10-month's period in 2022 (being 80% of the annual target of 20).
- The Bank focuses to extend post-harvest management financing in 2023 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

VPerformance under the priority was also mixed but skewed to good performance. Input financing of TZS 6.84 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 43 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, 20 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 161.7billion by end of December 2022, an addition of TZS 69 billion in one quarter form TZS 89.8billion recorded during the first half of the year. Notwithstanding, performance surpassed by 7.8% of the target of booking TZS 150 billion for the 12-months period. The business team is working to clear pending issues to allow disbursement of facilities worth TZS 56.1billion out of TZS 217.8 billion already approved by the Board and Management Credit Committee.

The Small-holder Farmers Credit Guarantee Scheme (SCGS) highlights of 2022

Investing in the agriculture is critical to achieving the country's economic growth aspirations and the Sustainable Development Goals (SDGs). Yet while almost two third of the population in Tanzania and the entire Africa work 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 agrilending 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.

The SCGS fund was created as one of the components of the IFAD funded Marketing Infrastructure, Value Addition and Rural Finance (MIVARF) program under the Prime Minister's Office with the objective of supporting the unlocking of financing to rural economies by increasing credit access and reducing high risk perception of financing smallholder farmers.

DIRECTORS' REPORT (CONTINUED)

2.32 OVERVIEW OF KEY PROJECT AND BUSINESS (CONTINUED)

The Small-holder Farmers Credit Guarantee Scheme (SCGS) highlights of 2022 (Continued)

The initial funding allocated towards SCGS through the MIVARF program was USD 25 million and due to the impact and success of the fund, for the financial year 2022, TADB signed agreements with the Ministry of Finance and Planning and Prime Minister's Office for enhancement to the SCGS fund. An additional Euro 20 million (circa USD 21.22 million) from the Agence Française du Development financing package amounting to Euro 80 Million to be allocated towards TADB's SCGS instrument. Through the funding, TADB with its partner financial institutions will facilitate credit access for smallholder farmers and SMEs in excess of TZS 209 billion.

As at 31 December 2022, TADB through its partner banks had managed to guarantee a cumulative value of TZS 173 billion (the guaranteed amount was TZS 84 billion). The value of new loans guaranteed in the 2022 financial amounted to TZS 48.5 billion. The loans guaranteed during the 2022 financial year were mainly for farming inputs for primary production (33%) and financing MSME off-takers trading activities (33%). Cumulatively, the Bank has financed more than 13,872 direct beneficiaries, which comprised of 13,239 smallholder farmers, 269 sole proprietors, 104 AMCOs, 165 farmer groups, 6 unions and 89 MSMEs). Through this facility, 38 value chains/commodities were financed in 27 regions of Tanzania (mainland and Zanzibar), compared with 36 agriculture value chains previously reported in the 2021 financial year; these value chains include paddy, cashew nut, maize, sunflower, sugarcane, coffee, cotton, horticulture, poultry, sisal, potatoes, livestock, fishing, sesame, pulses, forestry, palm oil, pyrethrum, tea and other cereals.

As 31 December 2022, SCGS had formed partnerships with 15 Financial Institutions, which include NMB Bank Plc, Tanzania Commercial Bank Plc, 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 Peoples Bank of Zanzibar and Equity Bank Tanzania. The program's partner financial institutions have enabled the scheme to have a wide reach to smallholder farmers through the respective institutions branch networks exceeding 700 branches.

Some of the key achievements during the year 2022 are highlighted below:

- The program continued to facilitate interest rate reductions for loans to smallholder farmers at participating financial institutions from 20% to 9%-16%. All loans supported under the cash cover modality during the 2022 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 2022 was 12%. During the 2022 financial year, two partner banks submitted claims amounting to TZS 1.73 billion but no claim payouts had been settled due to claim submissions failing to meet the claim payouts requirements. The respective PFIs have been informed to ensure full exhaustion of recovery efforts before submission for claim payouts.
- During the 2022 financial year, on mechanization, a total of TZS 1.7 billion funded 32 tractors and two other mechanization equipment. This promoted the use of technology and the reduction of drudgery across five value chains including maize, paddy, pyrethrum and cotton value chains.
- In supporting storage facilities, TADB through SCGS supported construction of one new godown and the renovation of two warehouses in the paddy value chain, in Mbeya region. Storage solutions are pertinent to protect market prices for smallholder farmers hence supporting improved incomes and livelihoods for small-scale farmers. During the year, SCGS supported access to markets for smallholder farmers by guaranteeing MSMEs in agri-trading activities, a total of TZS 16.4 billion was guaranteed – MSMEs procure from smallholder farmers hence promoting sustainable incomes and livelihoods for smallholder farmers on the ground. Additionally, value addition of agri-commodities was supported through de-risking agri-processing activities of SMEs with a total of TZS 7.85 billion in loans guaranteed by the scheme during the year.
- In 2023, TADB will focus in increasing access to finance for smallholder 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% through the Euro 20 Million AFD enhancement. 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 Program in partnership with the BOT Academy. Additionally, the Bank has earmarked digitization of the SCGS instrument to improve efficiency and service delivery to farmers and partner banks.

DIRECTORS' REPORT (CONTINUED)

2.32 OVERVIEW OF KEY PROJECT AND BUSINESS (CONTINUED)

Resources mobilization and partnership success stories for 2022

According to the Bank of Tanzania (BoT) monthly report on economic updates, credit extended to agriculture continued to record the highest growth, partly due to monetary policy measures rolled out in July 2021 to support cost effective credit intermediation to agriculture and agri-business activities. However, despite this growth financing has remained as low as 8.7% of the total Share of credit to selected economic activities.

With consideration of the above, TADB has embarked on initiatives to unlock long-term and strategic investment in the agri-sector through more strategic and well-structured blended resources mobilization.

In doing so, the Bank engaged various stakeholders in an effort to build strategic alliances, mobilize funds and other resources. 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 organizations. The following highlight the milestones achieved by the end of December 2022.

i. **AFD**: Following the signing of the loan agreement between the Government of Tanzania and the Agence Française de Développement (AFD) on 11 February 2022, TADB has been working to fulfil conditions precedent for the disbursement of the first tranche of funds. The total amount of funding as per the Credit Facility Agreement is Euro 80 Million. Subsequently, TADB managed to fulfil all conditions precedent to drawdown and hence received first tranche of funds from AFD. The funds were disbursed to the TADB Euro account on the 23rd December 2022. The amount received is Euro 20 Million. On the same, TADB completion of procurement process for the TA program consultant resulted to drawdown of first tranche of TA funds from AFD amounting to Euro 500,000. Following a thorough evaluation and negotiations, GBRW Consulting (a UK based consulting firm) in partnership with ADC Tanzania won the bid and these firms will start implementation of the TA project in mid-January 2023.

ii. **BMGF**: TADB is implementing a USD 7 Million Dairy project known as TI3P, funded by the Bill and Melinda Gates Foundation (BMGF). On the same, TADB signed an agreement with BMGF on 26 January 2022, following the signing of the contract TADB received the first tranche of funds from BMGF amounting to USD 3.5 Million.

iii. **ALSF**: TADB finalised all legal requirements and received TA assistance from Africa Legal Support Facility (ALSF) this engagement will provide capacity building to the Bank's legal team. The ALSF support is worth USD 100,000 (TZS 230 Million).

iv. **Solidaridad**: TADB in partnership with Solidaridad are implementing a pilot project known as Dairy Youth Farm Settlement in Tanga region. As part of the agreement, TADB managed to fulfil all Conditions Precedent to first drawdown of funds from Solidaridad, this included approval of a loan to the first beneficiary amounting to TZS 43 million for the first applicant under the project. As a result, disbursement of first tranche of funds (Euro 71,187) from Solidaridad to TADB.

v. **ICR**: TADB approached Investment Climate Reform facility (ICR), to provide Technical support to TADB, the support to TADB included review of TADB's gender policy, development of gender strategy and gender scheme. TADB has now a revised gender policy a new strategy and gender scheme, this means, TADB is in a much better position as far as gender mainstreaming is concerned.

vi. **JICA**: TADB managed to formalize a partnership with JICA. Currently, TADB is in discussion with JICA regarding a line of credit to support TADB activities, this will be a long-term concessional loan. Some of the feature of this financing arrangement are;

a) Loan amount expectation will range between USD 25 million and USD 180 million,

b) TADB pitched for USD 230 million (subject to results of feasibility study),

c) Tenure 30 years including grace period of 10 years.

d) Interest rate 1.20% per annum fixed rate.

DIRECTORS' REPORT (CONTINUED)

2.32 OVERVIEW OF KEY PROJECT AND BUSINESS (CONTINUED)

Resources mobilization and partnership success stories for 2022 (Continued)

vii. **BADEA**: TADB managed to form a partnership with the Arab Bank for Economic Development in Africa (BADEA), through this partnership TADB submitted an application of a loan. BADEA granted an approval to a line of credit amounting to USD 45 million with 7% interest rate pa. TADB and BADEA are in the final stages of negotiation regarding cost of the fund.

viii. **MoLF**: The Ministry of Livestock and Fisheries in partnership with TADB have mobilized funding for blue economy. The fund amounts to TZS 30.3 Billion and these funds will be used to support interventions in the fisheries sector including support to fishermen in accessing fishing boats and cages. Partners are finalizing fulfilment of conditions for first drawdown of funds.

ix. **NM-AIST:** TADB and Nelson Mandela African Institute of Science and Technology (NM-AIST) have forged a partnership through an MoU (signed on 13th September 2022) that will lead to improvement of agriculture value chains through innovation and financing (establish a Rural Innovative Fund (RIF), a fund to support innovative start-ups in the agriculture value chains).

x. **MEDA**: TADB forged a partnership with Mennonite Economic Development Associates (MEDA), the two institutions managed to submit a joint project proposal mobilizing funds for implementation of Fostering Local Opportunities and Women's Empowerment and Resilience (FLOWER) project. The project aims at providing concessional loans coupled with technical assistance to targeted SHFs and Agri- SMEs to increase production and productivity.

xi. **FSDT**: TADB formed a partnership with Financial Sector Deepening Trust (FSDT), in line with this; FSDT allotted a grant worth USD 600,000 to TADB to support financial inclusion initiatives in the agriculture sector through two programs: The Mfumo Jumuishi and Fit4Ag. With this regard TADB managed to achieve the following bellow;

1. Strengthened capacity of TADB through the development of the TADB 5-year midterm strategy. The Bank now has 5 focus areas;

- Catalysing financing to the Agricultural sector. Through Banks, Financial Institutions, Development Partners, NGO's to increase financing to Agriculture Sector.
- Value chain development - Increased productivity and profitability by supporting investments across the entire value chain.
- Enhancing climate change and Climate smart agriculture – Through Adaptation and mitigation.
- Enhancing financial inclusion for women and youth in Agriculture.
- Capacity to deliver – by enhancing institutional capacity to deliver by investing in its people and systems.

1. Development of two investments business cases proposals in the Sunflower and Wheat value chains. The next steps are adoption and implementation of these business cases.

2. Mainstreaming Gender across – TADB through its gender policy strategy and the development of the gender mainstreaming process flow, Bank staff have been educated and trained with the knowledge and skills to understand, analyse, link and mainstream gender in their everyday operations. Going forward, the Bank will integrate gender into its programs and product designs as well as internal processes, procedures, and reporting mechanism (s).

3. Strengthening the Banks Communication. TADB rolled out its impact, products and IVCF model through write-ups, documentaries, infographics and presentations. These outputs have been used to communicate what TADB does on mainstream media and the Banks social media accounts. It is estimated that at least 500,000 people have been reached through these communication tools.

DIRECTORS' REPORT (CONTINUED)

2.33 PREJUDICIAL ISSUES

During the year ended 31 December 2022, there were no prejudicial matters to report.

2.34 AUDITORS

The Controller and Auditor General (CAG) is the statutory auditor of the Tanzania Agricultural Development Bank by virtue of article 143 of the Constitution of the United Republic of Tanzania, and as amplified in section 32 (4) of the Public Audit Act No 11 of 2008. 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, No 11 of 2008.

BY ORDER OF THE BOARD

Approved by the Board of Directors on 24th March 2023 and signed on its behalf by:

	05-MAY-2023
Mr. Ishmael Kasekwa **Board Chairperson**	Date:

3.0 STATEMENT OF RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

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. 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 Directorsto 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 endeavors to minimise it by ensuring the appropriate infrastructure, controls, systems and ethical behavior 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	Mr. Frank Nyabundege
Board Chairperson	Managing Director

4.0 DECLARATION OF HEAD OF FINANCE FOR THE YEAR ENDED 31 DECEMBER 2022

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a Statement of Declaration issued by the Head of Finance responsible for the preparation of financial statements of the Bank concerned.

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of a Bank showing true and fair view position of the Bank in accordance with International Accounting Standards and statutory reporting requirements. Full legal responsibility for financial statements rests with the Board of Directors as under Directors Responsibility statement on an earlier page.

I CPA Dr. 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 2022 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 2022 and that have been prepared based on properly maintained financial records.

Signature: ....

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

Date: ......05 - MAY - 2023

5.0 FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 TZS'000	2021 TZS'000
Interest income	6	33,511,095	31,382,213
Interest expense	7	(743,969)	(1,530,262)
Net interest income		**32,767,126**	**29,851,951**
Expected credit losses (ECL)	5.2.2.7	(2,703,189)	(2,706,768)
Provision for impairment - Smallholders Credit Guarantee Scheme (SCGS)	12	(1,434,212)	-
		28,629,725	**27,145,183**
Non-interest income			
Foreign exchange gain	8	308,651	90,314
Grants revenue	9	1,489,131	662,366
Fees & commission income	10	2,265,030	1,696,995
Other incomes	11	2,291	40,169
		4,065,103	**2,489,844**
Administrative expenses			
Salary and benefits	13	(9,901,947)	(8,126,405)
Other operating expenses	14	(5,796,796)	(3,580,273)
Depreciation and amortisation	15	(1,358,107)	(1,898,289)
		(17,056,850)	**(13,604,967)**
Profit before tax		**15,637,978**	**16,030,059**
Tax expense	16(a)	(4,448,975)	(5,081,951)
Profit for the year		**11,189,003**	**10,948,108**
Other comprehensive income		-	-
Total comprehensive income for the year		**11,189,003**	**10,948,108**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Notes	2022 TZS'000	2021 TZS'000
Assets			
Cash and balances with Bank of Tanzania	20	53,920,392	33,702,724
Due from other Banks	21	91,593,972	152,056,393
Investments in government securities	22	26,961,649	15,863,797
Loans and advances to customers	23	263,843,177	151,956,271
Other assets	24	2,417,698	1,430,557
Property and equipment	17	3,592,195	1,906,833
Intangible assets	18	499,119	515,161
Right-of-use assets	19(a)	629,157	1,500,264
Deferred tax asset	25	4,326,286	3,915,288
Total assets		**447,783,645**	**362,847,288**
Liabilities			
Special customer deposits	28	4,359,746	1,524,477
Special funds	29	61,759,040	54,940,200
Deferred grant income	30	24,012,995	3,365,674
Current tax liabilities	16(b)	88,491	1,766,382
Lease liabilities	19(b)	689,997	1,561,677
Other liabilities	27	2,176,690	4,024,643
Borrowings	31	52,382,969	-
Total liabilities		**145,469,928**	**67,183,053**
Capital and reserves			
Share capital	35	268,202,304	268,202,304
Retained earnings		33,974,388	27,209,759
Capital grants	26	137,025	252,172
Total capital and reserves		**302,313,717**	**295,664,235**
Total equity and liabilities		**447,783,645**	**362,847,288**

These financial statements were approved and authorised for issue by the Board of Directors on ____________ 2023 and signed on its behalf by:

______________________ Date: ______________________

Mr. Ishmael Kasekwa
Board Chairperson

______________________ Date: ______________________

Mr. Frank Nyabundege
Managing Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

Description Amount in TZS'000	Share capital TZS'000	Capital grants TZS'000	Retained earnings TZS'000	Total equity TZS'000
Balance 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**
Amortization of capital grant	-	(204,774)	-	**(204,774)**
Balance at 31 December 2021	**268,202,304**	**252,172**	**27,209,759**	**295,664,235**
Balance at 1 January 2022	**268,202,304**	**252,172**	**27,209,759**	**295,664,235**
Adjustment	-	-	(3,374,374)	**(3,374,374)**
Profit for the year	-	-	11,189,003	**11,189,003**
Amortization of capital grant	-	(115,147)	-	**(115,147)**
Dividend paid for year 2021	-	-	(1,050,000)	**(1,050,000)**
At 31 December 2022	**268,202,304**	**137,025**	**33,974,388**	**302,313,717**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 TZS'000	2021 TZS'000
Cash flows from operating activities:			
Profit before tax		15,637,978	16,030,059
Adjustments for:			
Depreciation and amortisation	15	1,358,107	1,898,289
Capital grant amortised	26	(115,147)	(204,774)
Revenue grants utilized	30	(1,373,984)	(457,592)
Interest expense on lease liability	7	93,267	133,079
Interest on borrowings	7	650,702	1,467,496
Lease modification		-	147,262
Gain on disposal of property and equipment	11	-	(26,375)
Foreign currency exchange gain	8	(308,651)	(90,314)
Expected credit loss	5.2.2.7	2,703,189	2,706,768
Operating cash flow before working capital changes		**18,645,461**	**21,603,898**
Increase in loans and advances to customers and staff	23(c)	(118,336,251)	(33,846,618)
Increase in other assets	24	(618,863)	(612,771)
(Decrease)/increase in other liabilities	27	(1,847,953)	909,348
Net cash used in operations		**(102,157,606)**	**(11,946,143)**
Interest paid borrowings	31	(390,456)	(1,563,656)
Interest on lease paid	19(b)	(93,267)	(133,079)
Tax paid	16(b)	(6,537,864)	(6,152,678)
Net cash used in operating activities		**(109,179,193)**	**(19,795,556)**
Cash flow from investing activities:			
Purchase of investment in government securities	22	(11,097,852)	(15,863,797)
Purchase of property and equipment	17	(2,224,200)	(682,257)
Purchase of intangible assets	18	-	(349,743)
Proceeds from sale of assets	17	-	55,734
Net cash used in investing activities		**(13,322,052)**	**(16,840,063)**
Cash flow from financing activities:			
Increase/(decrease) in special customer deposits	28	2,835,269	(27,875,781)
Increase in special funds	29	6,818,840	1,190,629
Payment of dividends	33	(1,050,000)	-
Borrowings received	31	52,122,723	-
Payment of lease liability	19(b)	(867,095)	(727,922)
Grant received during the year	30	22,021,305	267,957
Net cash flows from financing activities		**81,881,042**	**(27,145,117)**
Net change in cash and cash equivalents		(40,620,203)	(63,780,736)
Cash and cash equivalents at beginning of the year		186,360,913	250,141,649
Cash and cash equivalents at end of the year	32	**145,740,710**	**186,360,913**

6.0 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1.0 REPORTING ENTITY

Tanzania Agricultural Development Bank Limited ("TADB" or "the Bank") is a state-owned Development Finance Institution (DFI) which 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 catalyzing 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 TADB have been prepared in accordance with International Financial Reporting Standards (IFRS) and manner required by the Companies Act, 2002 and the Banking and Financial Institutions Act 2006. The Bank 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.

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. A distinction is made between recovery or settlement within 12 months from the current reporting date (current), and recovery or settlement more than 12 months from the current reporting date (non-current).

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 expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' or 'interest expense' in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Interest income and expense (Continued)

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.2 Fee and commission income and expenses

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 tax asset is realised, or the deferred 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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Taxation (Continued)

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 liabilities

3.4.1 Initial recognition and measurement

Financial assets and financial liabilities are recognised in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

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.

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

3.4.2 Financial assets

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 – FVTOCI; and
- 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.

Business model assessments and solely payments of principal and Interest (SPPI) test

The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial assets and liabilities (Continued)

3.4.2 Financial assets (Continued)

- 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.

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 FVTPL.

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.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. At the end of both current reporting period and prior period, the Bank had only financial assets at amortised cost.

3.4.2.1 Financial assets at amortised cost

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial assets and liabilities (Continued)

3.4.2.1 Financial assets at amortised cost (Continued)

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets, other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognised in profit or loss and is included in the "interest income" line item.

3.4.2.2 Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principals and interest, and that are not designated at FVPL are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit and loss. When the financial asset is derecognised, interest income from these financial assets is included in 'interest income' using the effective interest rate method.

At the end of the reporting period, the Bank did not have financial assets classified as FVOCI.

3.4.2.3 Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss (FVTPL). A gain or loss on a debt investment is measured at fair value through profit or loss and is not part of a hedging relationship, any gain or loss is recognized in the profit or loss statement as 'Net trading income' in the period it occurs. This is unless it arises from debt instruments that were designated at fair value or not held for trading, in which case they are presented separately in 'Net investment income.' Interest income from these financial assets is included in interest income' using the effective interest rate method.

At the end of the reporting period, the Bank did not have financial assets classified as FVTPL.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial assets and liabilities (Continued)

3.4.2.4 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.

3.4.2.5 Impairment of financial assets

The Bank recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The measurement basis of the ECL of a financial asset includes assessing whether there has been a Significant Increase in Credit Risk (SICR) at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

3.4.2.6 Derecognition of financial assets

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

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

3.4.2.7 Write-off of financial assets

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or source of income that could generate sufficient cashflow to repay the amounts subject to the write off. This assessment is carried out on individual assets basis.

Recoveries of amounts previously written off are recognised when cash is received and are included in other income line in the statement of profit or loss and other comprehensive income. Financial assets written off could still be subject to enforcement activities.

3.4.3 Financial liabilities

Financial liabilities are classified and measured subsequently at amortised cost using the effective interest method or at FVTPL. Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL. However, at the end of the reporting period, the Bank did not have financial liabilities at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial assets and liabilities (Continued)

3.4.3.1 Financial liabilities measured subsequently at amortised cost

Financial liabilities are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Subsequently, financial liabilities classified as amortised cost are measured at amortised cost using the effective interest method and recognised in interest expense.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

3.4.3.2 Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above);
- The amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

3.4.3.3 De-recognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

3.4.4 Modification of financial assets and liabilities

Where an existing financial asset or liability is replaced by a new one with the same counterparty on significantly different terms, or the terms of an existing financial asset or liability are significantly modified, this is considered a derecognition of the original asset or liability. A new asset or liability is recognized at fair value, and a new effective interest rate is calculated, with any difference in carrying amounts recognized as other gains or 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial assets and liabilities (Continued)

3.4.4 Modification of financial assets and liabilities (Continued)

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

3.5 Leases

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

3.5.1 Bank as a lessee

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

a) Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at amount of lease liability and subsequently adjusted with accumulated amortization and impairment losses, and 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.

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.

3.6 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less. For the Bank, cash and cash equivalents include: cash and non-restricted balances with Bank of Tanzania, Investment securities and amounts due from other banks. Cash and cash equivalents excludes the cash reserve requirement held with the Bank of Tanzania. Cash and cash equivalents are carried at amortised cost.

3.7 Employee benefits

3.7.1 Short-term obligations

Liabilities for employee wages, salaries, and non-monetary benefits, including accumulating sick leave, that are expected to be paid within 12 months after the end of the period in which the related services are rendered, are recognized based on the employees' services up to the end of the reporting period. These liabilities are measured at the expected payment amounts when they are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Employee benefits (Continued)

3.7.2 Other long-term employee benefits obligations

The liabilities for gratuity payments to employees on contract employment basis is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

3.7.3 Post-employment obligations

The Bank operates a defined contribution pension plan. The Bank has a statutory requirement to contribute to the Public Service Social Security Fund (PSSSF), which are defined contribution schemes. The bank contributes 15% of the required 20% of gross emoluments to the scheme and the contributions are recognised as an expense in the period to which they relate. The remaining 5% is deducted from employees.

The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

3.8 Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity. Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

3.9 Regulatory reserves

According to IFRS 9, the Bank must recognize the expected credit loss allowance based on the credit losses expected over the life of the asset. If there has been no significant increase in credit risk since origination, the allowance is based on the 12 months' expected credit loss. Otherwise, the lifetime expected credit loss is recognized. The 12 months expected credit loss is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. However, prudential guidelines issued by

Bank of Tanzania require the Bank to set aside amounts for credit losses on loans and receivables based on its guidelines. Extra provision over and above that already recognised under IFRS 9 is accumulated under regulatory reserves through appropriations of retained earnings.

3.10 Dividend

Dividend distribution to the Bank's shareholders is recognised as a liability in the Bank's financial statements in the period in which the dividends are approved by the Bank's Board of Directors. The Annual General Meeting will decide whether to pay any dividend in line with MEMART. Dividends payment in any one year will be limited to not more than half of the profit available for distribution. Dividend will be paid directly to shareholders' bank accounts.

3.11 Earnings per share

The bank presents basic and diluted earnings per share (EPS) in the Bank financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Contingencies and commitment

Transactions are classified as contingencies where the Bank obligations depend on uncertain future events. Items are classified as commitments where the Bank and its subsidiary commit themselves to future transactions if the items will result in the acquisition of assets.

3.13 Capital and revenue grants

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires setting up the grant as deferred income or deducting it from the carrying amount of the asset. The Bank has opted to setting up the grant as the deferred income.

When the Bank receives non-monetary grants, it records the asset and the grant separately at nominal amounts. These amounts are released to the profit or loss over the expected useful life and pattern of consumption of the underlying asset's benefit, using equal annual installments.

Grants received from donor agencies and other private organizations of revenue nature are dealt with in the profit or loss over the period in which the related expense is incurred.

3.14 Property and equipment

3.14.1 Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items of property and equipment.

3.14.2 Subsequent costs

The cost of replacing part of an item of property or 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 costs of the day-to-day servicing of property and equipment are charged to profit or loss for the year as incurred.

3.14.3 Work in Progress ('WIP')

Work in Progress consists of uncompleted projects and assets such as uncompleted software, which are not ready to be put into use. The assets under WIP are usually transferred to their specific categories when they are ready and have been put into use by the Bank. Assets under WIP are not depreciated; depreciation only begins when these assets are put into use.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14.4 Depreciation and useful life and impairment

Depreciation is calculated on a straight-line basis at annual rates estimated to write off the cost of the property and equipment over their expected useful lives. The expected useful lives and annual rates of depreciation applicable to the current and prior year as set out in the below table.

S/n	Category/Class	Life in years	rate in %
1	Lease hold premises improvement	5	20
2	Furniture and fittings	8	12.5
3	Motor vehicles	4	25
4	Computer equipment	4	25
5	Office equipment	8	12.5

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3.14.5 De-recognition

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the year the asset is derecognised.

3.15 Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (four years). Costs associated with maintaining computer software programs are recognised as an expense when incurred.

3.16 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Non-financial assets that suffered impairment (if any) are reviewed for possible reversal of the impairment at the end of each reporting period. No indicators of impairment were identified therefore no non-financial assets were impaired in 2022 (2021: NIL).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 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.

3.18 Provision

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.

3.19 Related party transactions

Unless otherwise disclosed, all transactions with related parties are at market related prices. Since TABD is a state-controlled corporation, it also has a related party relationship with all other state-controlled corporations.

3.19.1 Transactions with key management personnel

Key management personnel compensations are included under staff costs. None of the key management personnel had or has any significant influence with any entity with whom the Bank has had significant transactions with. The transaction and balances with related parties are disclosed in note 34.

3.20 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 New and amended IFRS Standards

3.21.1 New and amended IFRS Standards that are effective for the current year ended 31 December 2022

Standards	Summary
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.
Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.
Annual Improvements to IFRS Standards 2018–2020 (May 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.
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37 (May 2020))	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).
Reference to the Conceptual Framework (Amendments to IFRS 3 (May 2020))	The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 New and amended IFRS Standards (Continued)

3.21.1 New and amended IFRS Standards that are in issue but not yet effective for the current year ended 31 December 2022

Standard/title	Subject	Effective for the period beginning on or after
Amendments to IFRS 17	IFRS 17 Insurance contracts	1 January 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IFRS 17	Initial Application of IFRS 17 and IFRS 9 — Comparative Information	1 January 2023
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024

3.21.3 Impact of new and amended IFRS standards in issue but not yet effective for the year ended 31 December 2022:

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 New and amended IFRS Standards (Continued)

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)

Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

The amendments to IFRS 4 are effective for accounting periods beginning on or after 1 January 2023 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements. The Directors do not anticipate that its adoption will result into material impact on the financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The amendments to IAS 12 are effective for accounting periods beginning on or after 1 January 2023 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

The amendments to IAS 8 are effective for accounting periods beginning on or after 1 January 2023 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 New and amended IFRS Standards (Continued)

Amendments to IFRS 17

Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are:

- Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023.
- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.
- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination.
- Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.
- Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.
- Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.

Amendments to IFRS 17 is effective for accounting periods beginning on or after 1 January 2023 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

Amendments to IFRS 16 is effective for accounting periods beginning on or after 1 January 2024 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

3.21.4 Early adoption of the IFRS standards

The Bank did not early-adopt any new or revised standards in 2022.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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 Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a Significant Increase in Credit Risk.

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

Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit rating model which assigns PDs to the individual assets.
- The Bank's criteria for assessing Significant Increase in Credit Risk 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

4.0 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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.

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.

5.0 FINANCIAL RISK MANAGEMENT

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;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Operational risk (Continued)

- documentation of controls and procedures requirement for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- requirement for reporting of operational losses and proposed remedial action;
- development of contingent plans, training and professional development
- ethical and business standards; and risk mitigation, including insurance where this is cost effective.

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

5.2 Credit risk

The Bank takes on exposure to credit risk, which is the risk that the counterparty will cause a financial loss to the Bank by failing to discharge an obligation. It is composed of obligor risk, risks associated with climate change, concentration risk and sector specific (agriculture) challenges. Credit risk is the most important risk for the Bank`s business. Management, therefore, carefully manages its exposure to the credit risk.

Credit exposures arise principally in lending activities that led to loans and advances, and investment activities that bring debt securities and other bills into the Bank`s asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loans commitments. The credit risk management and control are centralized in the credit risk management team of the Bank and reported to the Board of Directors and heads of department regularly.

5.2.1 Management of credit risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Board Business Committee (BBC) (refer to corporate governance (Note 1.14) of the report of the directors). The directorate of credit and portfolio management, reporting to the Board Business Committee, is responsible for managing the Bank's credit risk, including;

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2.1 Management of credit risk (Continued)

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

5.2.2 Credit risk mitigations

Wherever warranted, the Bank attempt to mitigate credit risk, including counterparty credit risk (CCR), to any counterparty, transaction, sub-sector/value chain, or geographic region, so as to achieve the optimal balance between risks, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2.2 Credit risk mitigations (Continued)

5.2.2.3 Collateral

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

- The principal collateral types for loans and advances are:
- Mortgages over residential and commercials properties;
- Charges over business assets such as premises;
- Inventory and accounts receivable;
- Government and other Development Financial Institutions Guarantees; 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 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.

At 31 December 2022	Forced sale values TZS'000	Market values TZS'000
Mortgages over residential and commercials	163,966,714	222,271,265
Government and other Development Financial Institutions Guarantees	25,138,461	25,138,461
Corporate Guarantee	70,000,000	70,000,000
Charges over business assets (Debenture)	79,208,244	120,801,868
	338,313,419	**438,211,594**
Gross loan and advances exposure	**277,038,796**	**277,038,796**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2.2 Credit risk mitigations (Continued)

5.2.2.3 Collateral (Continued)

At 31 December 2021	Forced sale values TZS'000	Market values 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	**163,060,755**	**163,060,755**

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 and banks at a counterparty level, the Bank reflects three components:

i. The probability of default (PD) by the client or counterparty on its contractual obligations;
ii. Current exposures to the counterparty and its likely future development, from which the Bank derive the Exposure at Default (EAD); and
iii. The likely recovery ratio on the defaulted obligations (the 'loss given default - LGD').

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

Exposure at default is based on the amounts the Bank expects to be owed at the time of default. Exposure at Default for term loans is estimated as contractual rundown on the loans. This is estimated as the outstanding balance on the facility while for the off-balance sheet items exposure at default is estimated as the outstanding balance multiplied by the credit conversion factor (CCF) which means the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2.2 Credit risk mitigations (Continued)

5.2.2.4 Credit risk measures (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2.2 Credit risk mitigations (Continued)

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, Loan and advances to banks, Balances with other banks, Government securities and Other financial assets.

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

2022	Stage 1	Stage 2	Stage 3	Total
	TZS'000	TZS'000	TZS'000	TZS'000
Loans and advances to Customers	195,560,829	55,851,196	16,049,280	267,461,305
Loans and advances to Staff loans	9,297,979	126,139	153,373	9,577,491
Due from other Banks	91,815,253	-	-	91,815,253
Government securities	26,962,051	-	-	26,962,051
Other assets in scope	1,734,418	-	-	1,734,418
Bank balances in scope	53,925,457	-	-	53,925,457
	379,295,987	55,977,335	16,202,653	451,475,975
% Contribution	84%	12%	4%	100%

2021	Stage 1	Stage 2	Stage 3	Total
	TZS'000	TZS'000	TZS'000	TZS'000
Loans and advances to Customers	105,341,943	42,510,864	9,956,584	**157,809,391**
Loans and advances to Staff loans	5,004,874	233,657	12,833	**5,251,364**
Due from other Banks	152,545,531	-	-	**152,545,531**
Government Securities	15,864,033	-	-	**15,864,033**
Other assets in scope	593,935	-	-	**593,935**
Bank balances in scope	33,815,382	-	-	**33,815,382**
	313,165,698	**42,744,521**	**9,969,417**	**365,879,636**
% Contribution	**86%**	**12%**	**3%**	**100%**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2.2 Credit risk mitigations (Continued)

5.2.2.7 Maximum exposure to credit risk before collateral held (Continued)

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

Below is the summary of provisions per category

2022	Stage 1	Stage 2	Stage 3	Total
	TZS'000	TZS'000	TZS'000	TZS'000
Loans and advances to Customers	1,229,208	5,741,020	5,190,520	**12,160,748**
Loans and advances to staff loans	384,186	55,721	131,268	**571,175**
Due from other banks	221,281	-	-	**221,281**
Government securities	402	-	-	**402**
Other assets in scope	6,776	-	-	**6,776**
Bank balances in scope	5,065	-	-	**5,065**
Total	**1,846,918**	**5,796,741**	**5,321,788**	**12,965,447**

2021	Stage 1	Stage 2	Stage 3	Total
	TZS '000'	TZS '000'	TZS '000'	TZS '000'
Loans and advances to Customers	2,096,335	4,530,736	2,578,014	**9,205,085**
Loans and advances to staff loans	47,753	66,830	337,284	**451,867**
Due from other banks	489,138	-	-	**489,138**
Government securities	236	-	-	**236**
Other assets in scope	3,273	-	-	**3,273**
Bank balances in scope	112,658	-	-	**112,658**
Total	**2,749,393**	**4,597,566**	**2,915,298**	**10,262,257**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2.2 Credit risk mitigations (Continued)

5.2.2.7 Maximum exposure to credit risk before collateral held (Continued)

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

ECL MOVEMENT SCHEDULE Amount in TZS'000	Stage 1 12-month ECL TZS '000	Stage 2 Lifetime ECL TZS '000	Stage 3 Lifetime ECL TZS '000	Total TZS '000
Loans and advances to customers and staff				
As at 1 January 2022	2,144,089	4,597,566	2,915,298	9,656,953
Changes in loss allowance:				
Transfer to stage 2	(3,605,665)	3,605,665	-	-
Transfer to stage 3	-	(2,406,491)	2,406,491	-
New financial assets originated or purchased	3,074,970	-	-	3,074,970
Financial assets that have been de-recognised	-	-	-	-
Charge to profit or loss during the year (note 23b)	**(530,695)**	**1,199,174**	**2,406,491**	**3,074,970**
Total ECL loans and advances customer and staff 31 December 2022	**1,613,394**	**5,796,740**	**5,321,789**	**12,731,923**
ECL on other assets				
As at 1 January 2022	605,305	-	-	605,305
Bank balance in scope (note 20)	(107,594)	-	-	(107,594)
Due from other banks (note 21)	(267,857)	-	-	(267,857)
Government Securities (note 22)	166	-	-	166
Other assets (note 24)	3,503	-	-	3,503
Charge to profit or loss during the year	**(371,782)**	**-**	**-**	**(371,782)**
Total ECL other assets 31 December 2022	**233,523**	**-**	**-**	**233,523**
Net charge to profit or loss during the year	**(902,476)**	**1,199,174**	**2,406,491**	**2,703,189**
Net ECL as 31 December 2022	**1,846,917**	**5,796,740**	**5,321,789**	**12,965,446**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2.2 Credit risk mitigations (Continued)

5.2.2.7 Maximum exposure to credit risk before collateral held (Continued)

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

ECL MOVEMENT SCHEDULE Amount in TZS'000	Stage 1 12-month ECL TZS '000	Stage 2 Lifetime ECL TZS '000	Stage 3 Lifetime ECL TZS '000	Total TZS '000
Loans and advances to customers and staff				
As at 1 January 2021	1,399,306	1,113,100	4,486,424	6,998,830
Changes in loss allowance:				
Transfer to stage 2	(99,482)	99,482	-	-
Transfer to stage 3		1,571,126	(1,571,126)	-
New financial assets originated or purchased	844,264	1,813,858	-	2,658,122
Financial assets that have been de-recognised	-	-	-	-
Charge to profit or loss during the year (note 23 (b)	**744,782**	**3,484,466**	**(1,571,126)**	**2,658,122**
Total ECL loans and advances customer and staff 31 December 2021	**2,144,088**	**4,597,566**	**2,915,298**	**9,656,952**
ECL on other assets				
As at 1 January 2021	556,660	-	-	556,660
Bank balance in scope (note 20)	34,565	-	-	34,565
Due from other banks (note 21)	13,881	-	-	13,881
Government Securities (note 22)	236	-	-	236
Other assets (note 24)	(36)	-	-	(36)
profit or loss charge during the period	48,646	-	-	48,646
Total ECL other assets 31 December 2021	**605,306**	**-**	**-**	**605,306**
Net profit or loss charge during the period	793,428	3,484,466	(1,571,126)	2,706,768
Net ECL as 31 December 2021	**2,749,393**	**4,597,566**	**2,915,298**	**10,262,258**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2.2 Credit risk mitigations (Continued)

5.2.2.7 Maximum exposure to credit risk before collateral held (Continued)

The loss allowance recognized in profit and loss statement 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:

2022	Customer loans TZS' million	Government securities TZS' million	Staff loans TZS' million	Due from other banks TZS' million	Cash and bank balances TZS' million	Other assets TZS' million	Total TZS' million
Agriculture	89,449	-	-	-	-	-	**89,449**
Commodities	56,931	-	-	-	-	-	**56,931**
Cereals	59,891	-	-	-	-	-	**59,891**
Livestock	16,190	-	-	-	-	-	**16,190**
Horticulture	2,324	-	-	-	-	-	**2,324**
Fishing	5,120	-	-	-	-	-	**5,120**
Oilseeds	1,028	-	-	-	-	-	**1,028**
Poultry	23,903	-	-	-	-	-	**23,903**
Financial institutions	-	26,962	-	91,594	53,920	-	**172,476**
Other sectors	-	-	9,006	-	-	2,411	**11,417**
Total	**254,836**	**26,962**	**9,006**	**91,594**	**53,920**	**2,411**	**438,729**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2.2 Credit risk mitigations (Continued)

5.2.2.8 Concentration of risks of financial assets with credit risk exposure (Continued)

2021	Customer loans TZS' million	Government securities TZS' million	Staff loans TZS' million	Due from other 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 sectors	-	-	4,799	-	-	591	**5,390**
Total	**147,157**	**15,864**	**4,799**	**152,056**	**33,702**	**591**	**354,169**

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Market risk (Continued)

5.3.1 Foreign exchange risk (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Market risk (Continued)

5.3.4 Approach to managing liquidity risk (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Market risk (Continued)

5..3.5 Maturity analysis of financial liabilities by contractual maturity (Continued)

Liquidity risk analysis

Contractual maturity of undiscounted cash flows of financial assets and liabilities

31 December 2022	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 Banks in Tanzania	53,920,392	-	-	-	**53,920,392**
Investment in government securities	-	-	-	26,961,649	**26,961,649**
Due from other banks	54,305,577	19,735,301	17,553,094		**91,593,972**
Loans and advances to customers and staff	327,608	2,814,914	18,255,637	242,445,018	**263,843,177**
Other assets	1,727,642	-	-	-	**1,727,642**
Total	**110,281,219**	**22,550,215**	**35,808,731**	**269,406,667**	**438,046,832**
FINANCIAL LIABILITES					
Borrowings	-	-	-	52,382,969	**52,382,969**
Special customer deposits	-	-	-	4,359,746	**4,359,746**
Special deposits	-	-	-	61,759,040	**61,759,040**
Lease liabilities	81,743	122,615	190,124	295,515	**689,997**
Other liabilities	568,957	-	-	-	**568,957**
Total	**650,700**	**122,615**	**190,124**	**118,797,270**	**119,760,709**
Maturity gap as at 31 December 2022	**109,630,519**	**22,427,600**	**35,618,607**	**150,609,397**	**318,286,123**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Market risk (Continued)

5..3.5 Maturity analysis of financial liabilities by contractual maturity (Continued)

The 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.

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 Banks in Tanzania	33,702,724	-	-	-	33,702,724
Investment in government securities	-	-	-	15,863,797	15,863,797
Due from other banks	25,710,152	86,878,905	22,609,518	16,857,818	152,056,393
Loans and advances to customers and staff	-	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
Lease liabilities	185,010	277,516	430,310	668,841	1,561,677
Other liabilities	1,589,330	-	-	-	1,589,330
Total	**1,774,340**	**277,516**	**430,310**	**57,133,518**	**59,615,684**
Maturity gap as at 31 December 2021	**58,229,198**	**104,950,533**	**50,307,372**	**81,067,060**	**294,554,163**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.4 Fair value of financial assets and liabilities

5.4.1 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.
- 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.

The Bank recognizes transfers between the levels of the fair value hierarchy 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.

5.4.2 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 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.4 Fair value of financial assets and liabilities (Continued)

5.4.2 Valuation models or techniques (Continued)

31-Dec-22	Level 1 TZS'000	Level 2 TZS'000	Level3 TZS'000	Total TZS'000
Financial assets				
Cash and balances with Bank of Tanzania	-	53,920,392	-	**53,920,392**
Investment in government securities	-	26,961,649	-	**26,961,649**
Due from other banks	-	91,593,972	-	**91,593,972**
Loans and advances	-	263,843,177	-	**263,843,177**
Other assets	-	1,727,642	-	**1,727,642**
	-	438,046,832	-	**438,046,832**
Financial liabilities				
Borrowings	-	52,382,969	-	**52,382,969**
Special customer deposits	-	4,359,746	-	**4,359,746**
Special funds	-	61,759,040	-	**61,759,040**
Lease liabilities		689,997		**689,997**
Other liabilities	-	568,957	-	**568,957**
	-	**119,760,709**	-	**119,760,709**

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**
Due from other banks	-	152,056,393	-	**152,056,393**
Loans and advances	-	151,956,271	-	**151,956,271**
Other assets	-	590,662	-	**590,662**
	-	**354,169,847**	**-**	**354,169,847**
Financial liabilities				
Borrowings				
Special customer deposits	-	1,524,477	-	**1,524,477**
Special deposits/funds	-	54,940,200	-	**54,940,200**
Lease liabilities		1,561,677		**1,561,677**
Other liabilities	-	1,589,330	-	**1,589,330**
	-	**59,615,684**	**-**	**59,615,684**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.4 Fair value of financial assets and liabilities (Continued)

5.4.3 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 2022:	Carrying amount TZS'000	Fair value TZS'000
Financial assets		
Cash and balances with Bank of Tanzania	53,920,392	53,920,392
Due from other banks	91,593,972	91,593,972
Investment in government securities	26,961,649	26,961,649
Loans and advances to customers	263,843,177	263,843,177
Other assets	1,727,642	1,727,642
	438,046,832	**438,046,832**
Liabilities		
Borrowings	52,382,969	52,382,969
Special customer deposits	4,359,746	4,359,746
Special funds	61,759,040	61,759,040
Lease liabilities	689,997	689,997
Other liabilities	568,957	568,957
	119,760,709	**119,760,709**
Net financial assets	**318,286,123**	**318,286,123**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.4 Fair value of financial assets and liabilities (Continued)

5.4.3 Financial instruments not measured at fair value (Continued)

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
Due from other banks	152,056,393	152,056,393
Investments in 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 customer deposits	1,524,477	1,524,477
Special funds	54,940,200	54,940,200
Lease liabilities	1,561,677	1,561,677
Other liabilities	1,589,330	1,589,330
	59,615,684	**59,615,684**
Net financial assets	**294,554,163**	**294,554,163**

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. Set out below are details of fair value determination for key financial instruments.

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

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

Loans and advances to customers: The balance is net of impairment charges and includes all products offered by the Bank such as group loans, salaried workers loan, and loans to individual farmers. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Borrowings: Significant portion of borrowing is at special concessional rates and there is no repricing 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 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 2022 (CONTINUED)

5.0 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Capital Management Objectives and Policies (Continued)

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

TIER 1 AND TIER 2 CAPITAL	2022 TZS '000	2021 TZS '000
Share capital and reserves		
Share capital	268,202,304	268,202,304
Retained earnings	33,974,388	27,209,759
Capital grants	137,025	252,172
	302,313,717	**295,664,235**
Less:		
Prepaid expenses	(690,056)	(136,642)
Deferred tax assets	(4,326,286)	(3,798,834)
	(5,016,342)	**(3,935,476)**
Total qualifying Tier 1 capital	**297,297,375**	**291,728,759**
Total available capital	**297,297,375**	**291,728,759**
Total risk weighted assets	**307,078,000**	**194,458,885**
Bank's ratios		
Tier 1 Capital	**97%**	**150%**
Tier 1 + Tier 2 Capital	**97%**	**150%**

The increase in the tier 1 and total available capital in the 2022 is mainly due to 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	2022 TZS'000	2021 TZS'000
6. INTEREST INCOME		
Interest on loans and advances to customers	21,006,092	13,446,039
Interest on loans and advances to staff	210,763	222,888
Interest on investments in government securities	3,169,602	509,877
Income from call accounts	4,183,647	2,109,335
Interest from interbank placement	4,940,991	15,094,074
Total	**33,511,095**	**31,382,213**
7. INTEREST EXPENSES		
Interest expenses on borrowings from banks	(408,729)	(1,467,496)
Interest expenses on borrowings from pension funds	(241,973)	70,313
Interest expense - lease liabilities	(93,267)	(133,079)
Total	**(743,969)**	**(1,530,262)**
8. FOREIGN EXCHANGE GAIN		
Foreign exchange - sales revenue	310,906	90,314
Net unrealised exchange loss	(2,255)	-
Total	**308,651**	**90,314**
9. REVENUE GRANT		
Amortization of capital grant – MIVARF (note 26)	115,147	204,774
Amortization of FSDT fund (note 30)	146,079	457,592
Amortization of BMGF (note 30)	231,571	-
Amortization of Aceli (note 30)	861,784	-
Amortization of SCGS (note 30)	134,550	-
Total	**1,489,131**	**662,366**
10. FEES AND COMMISSIONS		
Insurance fees	19,590	-
Loan processing fees	1,573,328	1,278,872
Credit guarantee risk sharing income	672,112	418,123
Total	**2,265,030**	**1,696,995**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	2022 TZS'000	2021 TZS'000
11. OTHER INCOME		
Gain on disposal of property and equipment	-	26,375
Other income	2,291	13,794
Total	**2,291**	**40,169**
12. PROVISION FOR IMPAIRMENT - SMALLHOLDERS CREDIT GUARANTEE SCHEME (SCGS)		
Provision for impairment - Smallholders Credit Guarantee Scheme (SCGS) *	(1,434,212)	-
	(1,434,212)	**-**
13. SALARIES AND BENEFITS		
Wages, salaries and allowances	(6,208,328)	(5,435,269)
Social security fund contributions	(726,799)	(617,948)
Skills Development Levy (SDL)	(259,693)	(257,418)
Workman's compensation fund (WCF) contributions	(30,294)	(26,438)
Employment benefits	(1,029,470)	(740,135)
Medical insurance	(322,856)	(337,621)
Other employee insurance costs	(84,181)	(101,583)
Leave and transfer expenses	(556,869)	(448,659)
Learning and development expenses	(138,419)	(317,269)
Car tax benefits	(245,267)	(67,096)
Recruitment expenses	(36,689)	(2,784)
Terminations	(169,020)	260,635
Staff loans fair value adjustment	(1,776)	60,52
Club and gym membership	(30,695)	(18,844)
Other employment expenses	(61,591)	(76,499)
Total	**(9,901,947)**	**(8,126,405)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

14. OTHER OPERATING EXPENSES

	2022 TZS'000	2021 TZS'000
Occupancy and utilities expenses	(473,472)	(458,616)
Marketing and advertising expenses	(478,374)	(406,035)
Donations and sponsorships	(555,382)	(20,700)
ICT expenses	(536,614)	(320,417)
Audit expenses	(245,847)	(202,839)
Legal and consulting expenses	(417,232)	(107,206)
Trainings and capacity buildings workshops	(605,629)	(475,944)
Business travel and accommodation expenses	(1,076,809)	(444,040)
Credit guarantee charges	(234,280)	(194,970)
Insurance expenses	(83,979)	(42,412)
Board meeting expenses	(228,161)	(160,058)
Motor vehicle fuel and maintenance expenses	(361,091)	(341,554)
Stationeries and printing	(104,790)	(75,634)
Business support expenses	(200,620)	(178,527)
Taxes and licence fees	(133,804)	(119,018)
Other operating expenses	(60,712)	(32,303)
Total	**(5,796,796)**	**(3,580,273)**

* Provision for impairment - Smallholders Credit Guarantee Scheme (SCGS) is based on 30% of interest income generated from SCGS funds placed in call / fixed deposit accounts in other local banks.

15. DEPRECIATION AND AMORTISATION

	2022 TZS'000	2021 TZS'000
Depreciation of property and equipment (note 17)	(538,838)	(1,111,234)
Amortization of right-of-use assets (note 19)	(803,227)	(604,817)
Amortization of intangible assets (note 18)	(16,042)	(182,238)
Total	**(1,358,107)**	**(1,898,289)**

16. INCOME TAX

a. Tax expenses

	2022	2021
Current tax relating to prior year	(640,000)	(496,641)
Current tax relating to current year	(4,219,973)	(6,058,283)
	(4,859,973)	**(6,554,924)**
Deferred tax - current year (note 25)	361,238	1,472,973
Deferred tax – under prior year adjustment (note 25)	49,760	-
	(4,448,975)	**(5,081,951)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

16. INCOME TAX (CONTINUED)

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

	2022 TZS'000	2021 TZS'000
Profit before tax	**15,637,978**	**16,030,059**
Tax calculated at the statutory income tax rate 30%	4,691,393	4,809,017
Effects of non-qualifying capital allowances	17,127	33,687
Permanently disallowed expenditures	51,336	239,247
Income not subject to tax	(950,881)	-
Tax expense relating to prior year	640,000	-
Tax expense	**(4,448,975)**	**5,081,951**
b. Current tax (assets)/ liabilities		
At 1 January 2022	1,766,382	1,364,136
Tax charged to profit or loss for the year	4,859,973	6,554,924
Tax paid	(6,537,864)	(6,152,678)
At 31 December 2022	**88,491**	**1,766,382**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

17. PROPERTY AND EQUIPMENT

Details	Computer equipment TZS '000	Office equipment TZS '000	Furniture & fixtures TZS '000	Motor vehicles TZS '000	Leasehold improvements TZS '000	Work in progress TZS '000	Total TZS '000
Cost							
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
Disposal	(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**
At 1 January 2022	3,039,995	603,473	679,018	1,479,310	1,013,808	166,247	6,981,851
Additions	-	-	-	-	-	2,224,200	2,224,200
Transfer from work in progress	104,541	319,071	139,086	161,795	652,508	(1,377,001)	-
Reclassification	(67,912)	257,668	24,660	-	(187,928)	(26,488)	-
At 31 December 2022	**3,076,624**	**1,180,212**	**842,764**	**1,641,105**	**1,478,388**	**986,958**	**9,206,051**
Accumulated depreciation							
At 1 January 2021	2,298,002	174,719	293,516	872,380	558,152	-	4,196,769
Charge for the year	548,923	75,604	89,578	213,629	183,500	-	1,111,234
Disposal	(12,886)	(425)	(46,483)	(173,191)	-	-	(232,985)
At 31 December 2021	**2,834,039**	**249,898**	**336,611**	**912,818**	**741,652**	**-**	**5,075,018**
At 1 January 2022	2,834,039	249,898	336,611	912,818	741,652	-	5,075,018
Charge for the year	91,279	75,727	63,770	192,299	115,762	-	538,838
Reclassification	(67,912)	196,568	38,206	-	(166,860)	-	-
At 31 December 2022	**2,857,406**	**522,193**	**438,587**	**1,105,117**	**690,554**	**-**	**5,613,856**
Net book value							
At 31 December 2021	**205,956**	**353,575**	**342,407**	**566,492**	**272,156**	**166,247**	**1,906,833**
At 31 December 2022	**219,218**	**658,019**	**404,177**	**535,988**	**787,834**	**986,958**	**3,592,195**

During the year, management reviewed the remaining useful life of the assets and changed the estimate where necessary.

Reconciliation of gain on disposal of property and equipment	2022 TZS'000	2021 TZS'000
Cost	-	262,344
Accumulated depreciation	-	(232,985)
Net book value	-	**29,359**
Proceeds	-	(55,734)
Gain on disposal (note 11)	-	**(26,375)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

18. INTANGIBLE ASSETS

	Software TZS '000	Work in progress TZS '000	Total TZS '000
Cost			
At 1 January 2021	131,470	273,730	405,200
Additions	349,743	-	349,743
Transfer from work in progress	273,730	(273,730)	-
At 31 December 2021	**754,943**	**-**	**754,943**
At 1 January 2022	754,943	-	754,943
Additions	-	-	-
At 31 December 2022	**754,943**	**-**	**754,943**
Accumulated amortisation			
At 1 January 2021	57,544	-	57,544
Charge for the year	182,238	-	182,238
At 31 December 2021	**239,782**	**-**	**239,782**
At 1 January 2022	239,782	-	239,782
Charge for the year	16,042	-	16,042
At 31 December 2022	**255,824**	**-**	**255,824**
At 31 December 2021	**515,161**	**-**	**515,161**
At 31 December 2022	**499,119**	**-**	**499,119**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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:

	2022 TZS'000	2021 TZS'000
a) Right-of-use of assets (RoU)		
At 1 January	2,808,399	1,203,188
Lease remeasurement	(581,409)	-
Additions during the year	513,529	1,605,211
At 31 December	**2,740,519**	**2,808,399**
Amortisation		
At 1 January	(1,308,135)	(703,318)
Charge during the year	(803,227)	(604,817)
At 31 December	**(2,111,362)**	**(1,308,135)**
Net Book Value	**629,157**	**1,500,264**
b) Lease liabilities		
At 1 January	1,561,677	517,594
Lease remeasurement	(581,409)	-
Additions during the year	576,824	1,772,005
Finance cost – Included as interest expenses	93,267	133,079
Principal payment during the year	(867,095)	(727,922)
Interest payment during the year	(93,267)	(133,079)
Total	**689,997**	**1,561,677**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

20. CASH AND BALANCES WITH BANK OF TANZANIA

	2022 TZS'000	2021 TZS'000
Cash with Bank of Tanzania	53,925,457	33,815,382
Total	**53,925,457**	**33,815,382**
Expected credit losses	(5,065)	(112,658)
Net cash and balances with Bank of Tanzania	**53,920,392**	**33,702,724**
The movement in expected credit losses is as follows:		
At 1 January	(112,659)	(78,094)
Additions /Release for the year	107,594	(34,565)
At 31 December 2022	**(5,065)**	**(112,659)**

21. DUE FROM OTHER BANKS

	2022 TZS'000	2021 TZS'000
Placements with other banks	89,088,606	149,989,554
Accrued interest on placements	2,726,647	2,555,977
Total	**91,815,253**	**152,545,531**
Expected credit losses	(221,281)	(489,138)
Net placements with other banks	**91,593,972**	**152,056,393**
The movement in expected credit losses is as follows:		
At 1 January	(489,138)	(475,257)
Release/(addition) for the year	267,857	(13,881)
At 31 December 2022	**(221,281)**	**(489,138)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

22. INVESTMENTS IN GOVERNMENT SECURITIES

	2022 TZS'000	2021 TZS'000
Premium on purchase of treasury bonds	2,419,018	354,156
Cost of treasury bonds	23,655,000	15,000,000
Interest receivable	888,033	509,877
	26,962,051	**15,864,033**
Expected credit losses (ECL)	(402)	(236)
Net investment in government securities	**26,961,649**	**15,863,797**
The movement in expected credit losses is as follows:		
At 1 January	(236)	-
Additions for the year	(166)	(236)
At 31 December 2022	**(402)**	**(236)**
Maturing within 12 months	-	-
Maturing after 12 months	26,961,649	15,863,797
Total	**26,961,649**	**15,863,797**
The movement of investment in government securities for cash flow purpose.		
At 1 January	15,863,797	-
At 31 December	(26,961,649)	(15,863,797)
Cash flow movement for the year	**(11,097,852)**	**(15,863,797)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

23. LOANS AND ADVANCES TO CUSTOMERS

	2022 TZS'000	2021 TZS'000
Loans and advances to customers	258,050,386	152,200,667
Loans and advances to staff	9,507,499	5,840,279
Accrued interest on loans and advances to customers	9,410,919	5,608,724
Accrued interest on loans and advances to staff	11,245	53,816
Staff loans fair valuation adjustment	58,747	(642,731)
Gross loans and advances customers and staff	**277,038,796**	**163,060,755**
Expected credit losses - customers	(12,160,748)	(9,205,085)
Expected credit loss - staff	(571,175)	(451,867)
Suspended interest	(463,696)	(1,447,532)
Net loans and advances to customers	**263,843,177**	**151,956,271**
(b) The movement in expected credit losses is as follows:		
At 1 January	(9,656,953)	(6,998,830)
Charge to profit or loss for the year	(3,074,970)	(2,658,123)
At 31 December 2022	**(12,731,923)**	**(9,656,953)**
(c) The movement in gross loans and advances to customers and staff for cash flow purpose		
Gross loan balance at 1 January	163,060,755	127,766,605
Movement in suspended interest	(983,836)	1,447,532
Adjustment/write off	(3,374,374)	-
Gross loan balance at 31 December	(277,038,796)	(163,060,755)
Cash flow movement for the year	**(118,336,251)**	**(33,846,618)**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)v

23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Segmental analysis – geography

All loans and advances to customers **(excluding staff)** 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.

	2022 TZS'000	2021 TZS'000
Southern zone	3,128,509	-
Lake zone	105,578,824	48,590,199
Eastern zone	116,805,959	79,885,585
Southern Highlands zone	27,976,824	13,944,807
Central zone	8,187,378	13,691,221
Western zone	5,740,969	1,533,552
Zanzibar zone	42,842	164,027
	267,461,305	**157,809,391**

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.

	2022 TZS'000	2021 TZS'000
Coffee	37,355,705	4,249,330
Beef	16,190,401	13,652,579
Sugarcane	70,516,567	58,687,225
Maize	42,611,214	34,092,062
Cotton	19,935,960	10,188,235
Paddy	17,279,988	7,782,011
Sunflower	4,850,808	5,417,913
Diary	19,574,940	13,486,136
Fishing	5,120,178	-
Poultry	23,902,553	1,932,581
Avocado	1,173,702	486,789
Palm oil	1,028,238	784,716
Irish potatoes	857,284	1,005,898
Honey	81,894	74,788
Others	5,913,240	5,516,525
	267,461,305	**157,809,391**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

24. OTHER ASSETS

	2022 TZS'000	2021 TZS'000
Prepayments	690,056	839,895
Other receivables	1,734,418	593,935
	2,424,474	**1,433,830**
Expected credit losses (ECL)	(6,776)	(3,273)
Net closing value	**2,417,698**	**1,430,557**
The movement in expected credit losses for other assets is as follows:		
At 1 January	(3,273)	(3,309)
(Charge)/release for the year	(3,503)	36
At 31 December 2022	**(6,776)**	**(3,273)**
The movement in other assets for cash flow purpose.		
At 1 January	1,433,830	2,046,601
At 31 December	(2,424,475)	(1,433,830)
Cash flow movement for the year	**(990,645)**	**(612,771)**
Adjustment for ECL (Other assets)	371,782	-
Net cash flow movement for the year	**(618,863)**	**(612,771)**

25. 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 tax purposes using the enacted tax rate of 30%.

Deferred tax asset is attributed to the following items:

	2022	2021
Accelerated capital for tax purpose	(126,794)	(198,060)
Expected credit losses on financial assets	(4,211,699)	(3,732,818)
Others	12,207	15,590
Total deferred tax	**(4,326,286)**	**(3,915,288)**

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

	2022	2021
At 1 January 2022	(3,915,288)	(2,442,315)
Credit to profit and loss	(361,238)	(1,472,973)
Under provision in prior year	(49,760)	-
At 31 December 2022	**(4,326,286)**	**(3,915,288)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

26. 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.

	2022 TZS'000	2021 TZS'000
Current year amortisation	(115,147)	(204,774)
At 31 December	**137,025**	**252,172**

27. OTHER LIABILITIES

Accrued staff benefits	840,763	941,713
Accounts payable	568,957	1,589,330
Other tax payables	374,641	637,513
Deferred income - Guarantee fees	392,329	697,796
Interest payable transferred from borrowings	-	158,291
Total	**2,176,690**	**4,024,643**
The movement in other liabilities for cash flow purpose:		
At 1 January	4,024,643	4,933,991
At 31 December	(2,176,690)	(4,024,643)
Cash flow movement for the year	**1,847,953**	**909,348**

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

28. SPECIAL CUSTOMER DEPOSITS

	2022 TZS'000	2021 TZS'000
Cash cover deposits from customers	415,564	468,966
Customer loans recovery	2,887,645	-
Interest payable-AGRA	-	4,600
Total	**4,359,746**	**1,524,477**

Movement in special customer deposits for the year was an increase of TZS 2,835,269,000 (2021: Decrease of TZS 27,875,781,000)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

29. SPECIAL FUNDS

	2022 TZS'000	2021 TZS'000
Smallholders Credit Guarantee Scheme (SCGS) Funds	53,916,846	47,553,534
Rural Innovation Fund (RIF)	1,001,709	5,851,413
The Bill & Melinda Gates Foundation Diary funds (BMGF)	3,828,511	-
The Agence Française de Développement (AFD) EURO Funds	1,232,615	-
The Solidaridad Network Funds	174,696	-
AGRA Matching Grant	1,604,663	1,535,253
Total	**61,759,040**	**54,940,200**

Movement in special funds for the year was an increase of TZS 6,818,840,000 (2021: Increase of TZS 1,190,629,000). Set out below are details of the special funds.

- **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.

- **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 sidelined from the formal banking services. However, this fund, TADB funds and guarantees up to 50% of principal loan amount issued by commercial banks to smallholder farmers across the country.

The International Fund provided the fund for Agricultural Development to the Government of Tanzania of which TADB was appointed as the administrator of the fund in November 2017. The SCGS fund is worth USD 24.9 million comprising of credit guarantee funds valued at USD 23.5 million and SCGS technical assistance funds valued at USD 1.4 million. The total SCGS funds were received over four tranches as follows; the first tranche of US$ 11.3 million was received in January 2018, the second tranche of USD$ 10.2 million was received in December 2019, the third tranche of US$ 3.4 million was received in December 2020 and the last tranche of US$ 0.54 million was received in February 2021.

Additionally, during the 2022 financial year, TADB signed a tripartite agreement with the Ministry of Finance and Planning and the Prime Minister's Office to enhance the SCGS fund by an additional Euro 20 Million as part of the Euro 80 million The Agence Française de Développement (AFD) financing package for TADB. In December 2022, TADB received the first tranche of the loan worth Euros 20 million.

- **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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

29. SPECIAL FUNDS (CONTINUED)

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 implementation was delayed and since the 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 project and structure it better to ensure effectiveness and efficiency during implementation.

- **The Bill & Melinda Gates Foundation Diary funds (BMGF)**

TI3P is the brainchild of the Government of the United Republic of Tanzania through the Tanzania Agricultural Development Bank (TADB) in collaboration with the Bill and Melinda Gates Foundation, which aims to eliminate current bottlenecks in the livestock and milk sectors of the country.

In the project, the government agreed to extend financing of 40 million dollars to boost investments in the milk sub-sector, while the Bill and Melinda Gates Foundation has given 7 million dollars in support. TADB signed an agreement with BMGF on 26 January 2022, following the signing of the contract TADB received the first tranche of funds from BMGF amounting to USD 3.5 million.

- **The Solidaridad Network Funds**

In September 2022, TADB entered into a partnership with Solidaridad for implementing a pilot project known as Dairy Youth Farm Settlement in the Tanga region. The Funds will be used to provide loans to youths and a Total of Euro 101,187 has been earmarked to be disbursed in two Tranches. The bank has received the first tranche of Euro 71,187, and the remaining amount is anticipated to be disbursed in 2023.

30. DEFERRED GRANT INCOME

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 SCGS 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.

a) Deferred grants - FSDT fund

TADB formed a partnership with Financial Sector Deepening Trust (FSDT), FSDT allotted a grant worth USD 0.6 million to TADB of which around USD 0.24 million was disbursed (TZS 552 million) as Technical Assistance with the aim 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;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

30. DEFERRED GRANT INCOME (CONTINUED)

- 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.

b) Deferred grants - AFD fund

The Agence Française de Développement (AFD) has partnered with TADB via a tripartite agreement through the Ministry of Finance and Planning and the Prime Minister's Office to enhance the SCGS fund. The bank received the first tranche of Euro 20 million out of which Euro 8.6 million were in the form of a grant.

2022	Opening balance	Grants received	Grants utilized	Deferred grants
	TZS'000	TZS'000	TZS'000	TZS'000
Deferred Grants - SCGS fund	2,687,384	-	(134,550)	2,552,834
Deferred Grants - Aceli	287,437	574,347	(861,784)	-
Deferred Grants - FSDT fund	390,853	-	(146,079)	244,774
Deferred Grants - BMGF	-	231,571	(231,571)	-
Deferred Grants - AFD fund	-	21,215,387	-	21,215,387
	3,365,674	**22,021,305**	**(1,373,984)**	**24,012,995**

2021	Opening balance	Grants received	Grants utilized	Deferred grants
	TZS'000	TZS'000	TZS'000	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**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

31. BORROWINGS

	2022 TZS'000	2021 TZS'000
Borrowings from AFD	28,122,723	-
Borrowings from pension funds	10,000,000	-
Borrowings from other banks	14,000,000	-
Accrued interest on borrowings	260,246	-
Total	**52,382,969**	**-**
Reconciliation of borrowings		
At the beginning of the year	-	208,456,755
Loan conversion during the year	-	(208,202,304)
Loan received during the year	52,122,723	-
Interest expense recognized in profit or loss	650,702	1,467,496
Interest paid and amount reversed	(390,456)	(1,563,656)
Reclassified to other liabilities	-	(158,291)
At the end of the year	**52,382,969**	**-**
Maturity analysis:		
Current	260,246	-
Non-current	52,122,723	-
	52,382,969	**-**

In December 2022, TADB received the first tranche of the loan worth Euros 20 million. The funds are proceeds of the Credit Facility Agreement worth Euros 80 million signed between the Government of Tanzania through the Ministry of Finance and Planning (MoFP) and the Agence Française de Développement (AFD). A portion of the fund (Euros 58.4 million) was provided to TADB as a long–term concessional loan with a tenor of 25 years (5 years Grace period).

The facility aimed at enhancing TADB's financial and institutional capacities to achieve its objective of providing short, medium and long term financing to the agricultural sector, with a specific focus on underserved segments of the value chains on the sustainable basis.

The facility is to be implemented under the project named 'Improving Access to Agriculture Financing in Tanzania.

32. 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 2022, cash and cash equivalents comprise of the following:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	2022 TZS'000	2021 TZS'000
Cash and balances with Bank of Tanzania	53,925,457	33,815,382
Due from other Banks (gross)	91,815,253	152,545,531
	145,740,710	**186,360,913**

33. DIVIDEND

Dividends are not recognized as a liability until they have been approved at the Annual General Meeting. During the year a dividend of TZS 1.05 billion was paid, out of which TZS 550 million relates to 2021 and TZS 500 million relates to 2020.

34. RELATED PARTY TRANSACTIONS AND BALANCES

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

a. Due from related parties

	2022 TZS'000	2021 TZS'000
Loans and advances to senior management	2,262,272	1,167,463

Loans to 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 personnel during the year is given below:

	2022 TZS'000	2021 TZS'000
Salaries and wages	3,409,029	2,783,844
End of the term allowance	61,322	83,434
	3,470,351	**2,867,278**

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

35. SHARE CAPITAL

The Bank's authorised and fully paid up share capital for the year ended 31 December 2022 is as follows:

	2022 TZS'000	2021 TZS'000
Authorized:		
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	**268,202,304**	**268,202,304**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

36. 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 2022, 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:

	2022 TZS'000	2021 TZS'000
Undrawn commitments	8,601,942	12,067,609

b) Operating lease commitments

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

c) Legal claims

At the year ended 31 December 2022, there were four (2021: five) pending cases. Two cases that were instituted against the Bank were struck out. A legal opinion has been made assessing the likelihood of losing/wining the pending cases. The Bank's legal advisors are more than 50% confident that the Bank will win all the cases.

d) Capital commitments

The Management certifies that there was no capital commitment as at 31 December 2022 (2021: NIL).

37. 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

NOTES

NOTES

TADB

www.tadb.co.tz