



Bank of Baroda (Tanzania) Limited

Annual Report and Financial Statements

For the year ended 31 December 2021





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**COMPANY INFORMATION****REGISTERED OFFICE AND HEAD OFFICE**

Plot No. 149/32
Ohio / Sokoine Drive
P. O. Box 5356
Dar es Salaam
Tanzania.

Telephone	255 22 2124472	General line
	255 22 2124487	General line
	255 22 2124456	Managing Director
	255 22 2124461	Branch Manager
	255 22 2110056	Deputy Managing Director
Fax	255 22 2124457	
Email	bobdar@bankofbaroda.com	
	md.tanzania@bankofbaroda.com	
	dmd.tanzania@bankofbaroda.com	
Website	www.bankofbaroda.co.tz	

BOARD OF DIRECTORS

<u>Name</u>	<u>Position</u>	<u>Nationality</u>	<u>Appointed on</u>
Mr. Debadatta Chand	Chairman	Indian	14th January 2022
Mr. Joydeep Dutta Roy	Member	Indian	16th June 2021
Dr. Immanuel Daniel Mnzava	Member	Tanzanian	26th October, 2017
Dr. Emmanuel Sadiki	Member	Tanzanian	8th April, 2018
Dr. Saganga M. Kapaya	Member	Tanzanian	2nd June, 2018
Dr. Bupe J. Mwakyusa	Member	Tanzanian	2nd June, 2018
Dr. Kadida Mashaushi	Member	Tanzanian	22nd December, 2021
Mr. Aditya Narayan Singh	Managing Director	Indian	14th January 2022
Mr. Vikash K. Pandey	Deputy Managing Director	Indian	16th June 2021
			<u>Resigned on</u>
Mr. Shanthi Lal Jain	Chairman	Indian	31st August, 2021
Mr. Devarakonda Ananda Kumar	Member	Indian	15th April, 2021
Dr. P. M. K. Ngatuni	Member	Tanzanian	15th November, 2021
Mr. Rajendra Sadashiv Mohrir	Managing Director	Indian	21st February, 2022

AUDITOR

NEXIA SJ TANZANIA
1st Floor, Oyster Plaza, Haile Selassie Road
Oysterbay
P O Box 12729,
Dar es Salaam
Tanzania.

BANK SECRETARY

Viann Sigismund Komba
T/A Leop & Viann Associates
P. O. Box 40317, Dar es Salaam

BRANCH NETWORK**Dar es Salaam**

Main branch
Plot No. 149/32
Ohio / Sokoine Drive
P. O. Box 5356
Dar es Salaam
Tanzania.

Dar es Salaam

Kariakoo branch
Plot No. 8, Block 13
Msimbazi/Mafia Street
P. O. Box 5610
Dar es Salaam
Tanzania.

Arusha branch

Plot No. 12, Block E
Goliondoni Road
P. O. Box 3152
Arusha
Tanzania.

Mwanza branch

Plot No. 153, Block T
Kenyatta Road
P. O. Box 5356
Mwanza
Tanzania.





REPORT OF THE DIRECTORS

Introduction

The Board of Directors of Bank of Baroda (Tanzania) Limited has the pleasure to present their annual report and the audited financial statements for the year ended 31st December 2021, which disclose the state of affairs of the Bank. This report has been prepared in accordance with the Tanzania Financial Reporting Standards (TFRS) No. 1, Directors' Report.

1. Incorporation

Bank of Baroda (Tanzania) Limited, a wholly owned subsidiary of Bank of Baroda, India was incorporated under the Tanzanian Companies Act, 2002 on 4th December, 2003. The bank commenced business on 13th October 2004 with its first branch in Dar es Salaam. The bank opened its second branch in Arusha on 11th August 2007. Its third branch was opened in Kariakoo on 11th June 2013 and fourth branch in Mwanza on 21st July 2014.

2. Vision & Mission Statement

Vision: To be a leading provider of the complete range of financial service solutions operating locally and internationally to all segments under one roof.

Mission: Leverage our local and global expertise to be a leading provider of complete range of financial service solutions by delivering high quality innovative and world-class products while maintaining the highest standards of governance and ethics.

3. Corporate Values

Bank of Baroda (Tanzania) Limited is determined to creating an unwavering guide through the path to growth, integrity and passion.

4. Principal activities

The Principal activity of Bank of Baroda (Tanzania) Limited is to provide banking and related services stipulated by the Banking and Financial Institutions Act, 2006. These includes but not limited to provision of banking services to a range of private, business, and charity customers. The bank is providing full-fledged banking operations and serving the people in all walks of life. The bank is financing businessmen, traders, manufacturers, retailers, individuals, employees of well established companies, institutions, government departments, and Small and Medium sized Enterprises (SMEs). Those products includes Savings products, Loan products, Trade Finance products, Treasury products, Remittances, SMS Alerts, and a range of E-banking products.

The bank have been implemeting its first year of the five year Business Strategy for the period from 2021 to 2025 with a thrust of providing best banking services to the community and achieve a total business of Tsh 326 billion for the year then ended. There has been no significant change in the principal activities of the bank during the financial year ended 31st December 2021.

5. Objectives

The following are the main objectives of the Bank:

To provide banking and related services stipulated by the Banking and Financial Institutions Act, 2006; To provide banking services to a range of private, business, and charity customers; To provide full-fledged banking operations and serving the people in all walks of life. The bank is financing businessmen, traders, manufacturers, retailers, individuals, employees of well established companies, institutions, government departments, and Small and Medium Sized Enterprises (SMEs). Those products include Savings products, Loan products, Trade Finance products, Treasury products, Remittances, SMS Alerts, and a range of E-banking products; and To promote easy access to financial services for entrepreneurs running micro, small and medium sized enterprises (MSMEs).



REPORT OF THE DIRECTORS (CONTINUED)
6. Annual General Meeting

The 17th Annual General Meeting (AGM) for the financial year 2021 held as per the provision of the Companies Act held on 18th June 2021 at 2.00 PM where, receipt of proxy was taken as read and accepted on behalf of Bank of Baroda and Mr. Suresh L. Gajjar, Mr. Rajendra Sadashiv Mohrir, Managing Director represented shareholders on the basis of proxy given by the shareholders. Mr. Erasto Mwampeswa and Mr. Alfred Luvanda represented the Regulator (Bank of Tanzania) as the main stakeholder of the bank and Mr. Vishwanshu Trivedi and Mr. Jasper Iningu represented the statutory auditor of the bank, M/S Bakertilly DGP & Co

The shareholders considered the financial statements, accounting policies, Auditors Report thereon and the Directors report including notes attached to the Financial Statements for 17th Accounting Year.

The chairman, Mr. Shanti Lal Jain, proposed and Mr. Rajendra Sadashiv Mohrir, Director seconded that, the following resolutions be adopted as an Ordinary Resolution;

Passed unanimously the resolution that, the Financial Statements for the Financial Year ended 31st December 2020, the Auditors' Report thereon and the Directors' Report attached thereto and Accounting Policies including the notes.

Passed unanimously the appointment of M/S NEXIA SJ Tanzania of P.O.Box 12729, Dar es Salaam as external auditors of the Bank holding office from conclusion of the 17th Annual General Meeting until the conclusion of the 18th Annual General Meeting subject to the provision of section 170(1) of the Companies Act, 2002 and Regulation 5(1) of the Banking and Financial Institutions (External Auditors) Regulation 2014 made under section 22(4) of the Banking and Financial Institutions Act, 2006.

7. Composition of the Board of Directors

The Directors of Bank of Baroda (Tanzania) Limited who held office during the year are as follows.

Name of Directors	Position	Age	Qualifications/Disciplin	Appointed/Resigned	Date of Appointment	Date of Resignation
Mr. Shanthi Lal Jain	Chairman	56	Banker	Resigned	5-Sep-2019	31-Aug-2021
Mr. D. Ananda Kumar	Member	56	Banker	Resigned	20-Feb-2019	15-Mar-2021
Dr. P. M. K. Ngatuni	Member	56	Accountant	Resigned	30-Nov-2015	15-Nov-2021
Mr. Joydeep Dutta Roy	Member	47	Banker	Appointed	16-Jun-2021	Not applicable
Dr. Immanueli D. Mnzava	Member	57	Accountant	Continuing	26-Oct-2017	Not applicable
Dr. Emmanuel Sadiki	Member	59	Accountant	Continuing	8-Apr-2018	Not applicable
Dr. Saganga M. Kapaya	Member	45	Accountant	Continuing	2-Jun-2018	Not applicable
Dr. Bupe J. Mwakyusa	Member	45	Accountant	Continuing	2-Jun-2018	Not applicable
Dr. Kadida Mashaushi	Member	57	Accountant	Appointed	22-Dec-2021	Not applicable
Mr. Rajendra S. Mohrir	Managing Director	57	Banker	Resigned	6-Dec-2017	21-Jan-2022
Mr. Vikash K. Pandey	Dy Managing Director	33	Banker	Appointed	16-Jun-2021	Not applicable
Mr. Aditya Narayan Singh	Managing Director	54	Banker	Appointed	14-Jan-2022	Not applicable
Mr. Debadatta Chand	Chairman	51	Banker	Appointed	14-Jan-2022	Not applicable

The Company secretary as at the date of this report was Mr. Viann S. Komba of T/A Leop & Viann Associates. Mr. Viann S. Komba of T/A Leop & Viann Associates is also the tax consultant of the bank for the year then ended.



REPORT OF THE DIRECTORS (CONTINUED)
8. Corporate Governance

Bank of Baroda (Tanzania) Limited Board of Directors consists of nine (9) directors. With exception of the Managing Director and the Deputy Managing Director, no other directors hold executive positions in the bank. Four of the board directors are non-executives while two of them are Independent Directors. The board is responsible for safe custody and investment of depositors' funds. Consequently, the board commit sufficient time in the oversight of affairs of the bank including identification of key risk areas, considering significant financial matters, reviewing the performance of management business and ensuring a comprehensive system of internal control policies and procedures is operative in compliance with sound corporate governance principles. The effective oversight by the board for the overall responsibility of the bank entails possession of necessary skills to make sound and independent judgments and be able to apply immediate remedial measures. The board is required to meet at least four times in a year and delegates the day to day management of the business to the Managing Director assisted by senior management team. Bank of Baroda (Tanzania) Limited is committed to the principles of effective corporate governance recognizing the importance of integrity, transparency and accountability.

The bank shall continue its endeavor to enhance its shareholders' value by protecting their interest by ensuring performance at all levels, and maximizing returns with optimal use of resources in its pursuit of excellence. The bank shall comply with not only the statutory requirements, but also voluntarily formulate and adhere to a set of strong corporate governance practices. The bank believes in setting high standards of ethical values, transparency and a disciplined approach to achieve excellence in all its sphere of activities. The bank shall strive hard to best serve the interests of its stakeholders comprising shareholders, customers, government and society at large.

In connection with effective oversight, the board of Bank of Baroda (Tanzania) Limited during the year has a responsibility to ensure high standard of corporate governance through establishment and effective functioning of various board committees and management in key areas.

8.1 Board Committees

The following Board Committees were reconstituted during 2021. All the committees are made exclusively of non-executive directors. The committee addresses the issues relating to the formulation of policies and assessment of its compliance, which brings about consistent improvement in the banking performance.

	<i>Name of Director</i>	<i>Designation</i>	<i>Position</i>	<i>Board Audit Committee</i>	<i>Board Credit Committee</i>	<i>Board Risk Committee</i>
1	Dr. P. M. K. Ngatuni	Director	Member	*	N	N
2	Mr. Joydeep Dutta Roy	Director	Member	N	*	Y
3	Dr. Immanueli D. Mnzava	Director	Member	N	Y	*
4	Dr. Emmanuel Sadiki	Director	Member	Y	N	N
5	Dr. Saganga M. Kapaya	Director	Member	Y	N	N
6	Dr. Bupe J. Mwakuyusa	Director	Member	N	Y	Y
7	Dr. Kadida Mashaushi	Director	Member	N	N	N

* :Chairman, Y: Member of the Committee, N: Non-member of the Committee



REPORT OF THE DIRECTORS (CONTINUED)
8. Corporate Governance(continued)
8.1 Board Committees (continued)
(i) Audit Committee

	<i>Name of Director</i>	<i>Nationality</i>	<i>Designation</i>	<i>Period</i>	<i>Meetings scheduled</i>	<i>Meeting attended</i>
1	Dr. P.M. K. Ngatuni	Chairman	Chairman	11 Months	4	4
2	Dr. Emmanuel Sadiki	Member	Member	12 Months	4	3
3	Dr. Saganga M. Kapaya	Member	Member	12 Months	4	4

The Audit Committee provides directions to the bank including the organisation, operations and quality control of internal audit, internal control weakness and inspection within the bank and follow-up of the suggestion of statutory/external audit of the bank and Bank of Tanzania inspections.

The Committee also reviews the adequacy of internal control systems, structure of internal department, its staffing pattern and hold discussions with the internal auditors/inspectors of any significant finding and follow-up action thereon. It also reviews the financial and risk management policies of the bank.

(ii) Credit Committee

The committee met 4 times during the year. The Managing Director, and the Senior Manager Credit participated in the meetings, as invitees.

	<i>Name of Director</i>	<i>Nationality</i>	<i>Designation</i>	<i>Period</i>	<i>Meetings scheduled</i>	<i>Meeting attended</i>
1	Mr. Joydeep Dutta Roy	Indian	Chairman	9 Months	3	3
2	Mr. Devarakonda A. Kumar	Indian	Chairman	3 Months	1	1
2	Dr. Emmanuel D. Mnzava	Tanzanian	Member	12 Months	4	4
3	Dr. Bupe J. Mwakvusa	Tanzanian	Chairman	12 Months	4	4

The main function of the Credit Committee is to monitor performance and quality of the credit portfolio, appraise and approve loans within its credit approval limit and recommend to the Board for approval facilities beyond its limit.

The Committee reviews Credit Policy at least once a year and ensures that it contains sound fundamental principles that facilitate the identification, measurement, monitoring and control of credit risk as well as having appropriate plans and strategies for credit risk management.

(iii) Risk Committee

The committee met 4 times during the year. The Managing Director and the Head of Risk Management participated in the meetings, as invitees.

	<i>Name of Director</i>	<i>Nationality</i>	<i>Designation</i>	<i>Period</i>	<i>Meetings scheduled</i>	<i>Meeting attended</i>
1	Dr. Emmanuel D. Mnzava	Tanzanian	Chairman	12 Months	4	4
2	Mr. Joydeep Dutta Roy	Indian	Member	9 Months	3	3
3	Dr. Bupe J. Mwakvusa	Tanzanian	Member	12 Months	4	4

The main function of the Risk Committee is to assist the Board in reviewing risk management strategies and policies and recommend them for approval. It provides the Board with regular assessments of the group risk profile and monitors implementation of risk management action plans.

The Committee also reviews adequacy and effectiveness of balance sheet management and its related risks through Asset Liability Management Committee (ALCO) reports presented by Management to the Committee every quarter.



REPORT OF THE DIRECTORS (CONTINUED)**8. Corporate Governance(continued)****8.2 Management Team**

The management of the Bank is under the Managing Director who is assisted by Deputy Managing Director and Senior Managers. The unit heads and Branch heads also assist the Managing Director in managing the bank. All Senior Managers and Unit heads reports directly to the Managing Director. The Managing Director is the overall incharge of Bank of Baroda (Tanzania) Limited responsible for planning, monitoring and business growth the main responsibilities of which includes regulatory compliance, formulation of policies, liaison with stakeholders, product innovation and marketing.

The Deputy Managing Director oversee the Finance, Administration and Human Resources, Credit, Retail Banking, Treasury and secretary to the Board. Treasury and Credit departments are headed by Senior Managers. Dar es Salaam and Arusha branches are also headed by senior managers. The Operations of the Bank are organized by the following department; Credit department, Treasury and Foreign Exchange department, Finance department, Risk and Compliance department and Information Technology department and Audit Department. Heads of departments are directly reporting to the Managing Director except the Internal Auditor who reports directly to the Board Audit Committee.

8.2.1 Management Committees

The following Sub-Committees of the Board were reconstituted during 2021. All the committees are made exclusively of executive directors and heads of operating units. The committee addresses the issues relating to the formulation of KPI's and KRI's and assessment of its compliance together with day to day management of the performance of the management, which brings about consistent improvement in the banking performance. The sub-committees also appraise the Board Committees of the issues for discussion at the higher level including policies formulation and bank limits revision.

(i) Assets and Liabilities Sub-Committee (ALCO)

The committee is composed of Managing Director, Deputy Managing Director, Head of Finance, Senior Manager Credit, Senior Manager Treasury, Branch Head Dar es Salaam Main branch and heads of Information Technology and Operations Units. The committee is responsible for managing the balance sheet to ensure proper allocation of resources to achieve performance targets. The committee meets once in a month.

The committee also review the liquidity position on current and prospective basis, monitoring the funding alternatives to ensure adequacy of the liquidity is maintained. It also review the capital level for determination of its adequacy in relation to expected growth and asset quality, reviewing the actual performance against established targets and analysing the reasons for variance for remedials. Measurement and monitoring of investment risk to ensure quality portfolio of assets to maintain the portfolio within the limits set by the Board and regulatory requirements is anothe responsibility of the ALCO

(ii) Operational Risk Management Committee (ORMC)

Operational Risk Management Committee is a committee of senior management formed with primary objective of management and measurement of Operational Risk at the bank. The committee met 3 times during the year. The Managing Director, and the Senior Manager Credit participated in the meetings, as invitees.

The Committee is responsible for design and implementation of Operational Risk Management Framework, as approved by the board which is comensurate with the bank's risk appetite, business strategy, regulatory requirements and overall governance framework prescribed by the board.

The Committee reviews and assess the overall risk profile of the bank including key issues, risk incidents, limits, breaches, internal and external changes having material impact on the risk profile of the bank, non-compliance with policy and procedures, pending corrective action plans, capital computation and all its allocation, issues identified by auditors and the regulator and issue appropriate guidance to ensure effective operational risk management framework.



REPORT OF THE DIRECTORS (CONTINUED)**8. Corporate Governance(continued)****8.2 Management Team (continued)****(iii) Tanzania Credit Committee**

Apart from the Board Credit Committee which is vested with full powers of lending, and which meets in a quarter and once required, there is a Tanzania Credit Committee comprised of the Managing Director as the Chairperson, and the members of the Committee are the Deputy Managing Director, Branch Head of Dar es Salaam main branch, Senior Manager Credit, Senior Manager Forex and any other officer(s) with the permission of the chairperson may be invited

The Committee reviews and assess the proposals falling under the discretionary Lending Power of Managing Director and the duties of the Committee remain same as presently delegated at substantive of Managing Director whereas, proposals beyond such delegated powers are to be referred to the Board Credit Committee with recommendations. The committee meets once in a week and the frequency of the meeting relaxed to incorporate as more frequently as possible within the week.

(iv) Business Continuity Program (BCP) Committee

The primary objective of BCP is to maintain viable recovery strategies and plans to ensure that all critical information / data are salvaged in the minimum possible time in the event of major incident. A major incident is any accidental, natural or malicious event, which threatens or disrupts normal operations or services, for sufficient time to significantly affect or cause failure of essential services rendered by the bank, including essential services rendered to internal customers

The Committee will normally meet once in a half year and as and when exigencies arise. The quorum of the committee will be 3- members including the Chairman. The BCP Committee will deliberate and decide upon the following:

Identification of business function groups, BIA (Business Impact Analysis), Prioritization, fixation of RTO (Recovery Time Objectives) / RPO (Recovery Point Objectives) for the function groups.

Identification of the threats to which the Business Processes are exposed and the assessment of the potential damage and disruption associated with these threats if occurs.

The BCP Committee will be responsible for overall implementation, monitoring and periodical reviews of the BCP in the Bank and appraise to Risk Management Committee (RMC) and Board once in 6 months

The BCP Committee at the Branches / other operating units comprise of the Branch Manager / Head of the Unit, Accountant and Officer/s and award staff members as may be nominated for the purpose by the Branch Manager / Unit Head and responsible for the following functions; To arrange meeting with Customers to disseminate information.

Preparation, periodical testing, mock drills and review / updation of BCP of the Branch / Operating Unit.

To decide and declare the disaster and to notify the Regional Office / Reporting Authority

To initiate action as per the pre-prepared action points based on the BCP Policy, Guidelines and BCP of the Branch / Operating Unit.

8.2.2 Relationship with Stakeholders

In fulfilling their responsibilities, the Directors believe that they govern the Group in the best interests of shareholders, whilst having due regard to the interests of others stakeholders in the bank including customers, employees, regulators and suppliers. The Management communicates regularly with major shareholders and the parent bank throughout the year by participating in stakeholders meetings. Feedbacks from these meetings is reported to the Board.

The Bank continues to maintain good relationship with all Stakeholders. The bank apart from suggestion box displayed at each bank's branch, has established a website through which stakeholders are encouraged to direct questions and ideas for quality banking services provision, to the management. The management of the bank is dedicated to offering best banking services to its customers having put forward the infrastructure for needs identification and product or service development therewith. Bank of Baroda (Tanzania) Limited is keen to its customer satisfaction and contribute to the economy growth while remaining compliant to the legal and regulatory requirements.

REPORT OF THE DIRECTORS (CONTINUED)**8. Corporate Governance(continued)****8.2.3 Compensation of Key Management Personnel**

The Key Management of the bank is comprised of the Managing Director, Deputy Managing Director and Senior Managers reporting to the Managing Director and Deputy Managing director. The remuneration of key management for the year ended 31st December 2021 was TZS 1,348 Million (TZS 1,033 Million in 2020)

8.2.4 Employees Welfare

The relationship between employees and management continued to be cordial. The bank provides training, medical assistance and loans to its employees. Employees were deputed for training conducted by Bank of Tanzania (BOT), National Board of Auditors and Accountants (NBAA) and Tanzania Institute of Bankers (TIOB) in the areas of Risk Management, Accounting Standards, Regulatory Compliance, Banking operations, etc. There were no unresolved complaints received by management from individual employees or groups thereof. The bank recruited and trained new staff to provide unhindered services to customers.

8.2.5 Related Party Transaction

Bank of Baroda (Tanzania) Limited has a related party arrangement that provide guidance on the conduct of insider trading. Insiders are allowed to borrow to the limit not exceeding ten (10) percent for single borrower and twenty (20) percent against the bank's core capital at any point in time. Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Banking relationships are entered into with related parties to include key management staff, Directors, the associates and companies of key management staff and Directors. There were no loans and advances to neither companies associated to related parties nor related parties for the Financial year 2021. Key management staff are provided by loans covered under the human resources policy and hence not defined as related party transaction.

8.3 Ethical Behaviour and Organization Integrity

Bank of Baroda (Tanzania) Limited corporate governance structure involves managing and controlling relationships amongst different stakeholders including the parent bank, Board of Directors, employees, customers, suppliers and the community at large. The Board and all employees of the bank observe values and ethical business practices as enshrined in the Baroda Code of Ethics which governs all its business interactions and relationships to stakeholders.

9. Risk Management and Internal Control

The Board accepts ultimate responsibility for the risk management and internal control function of the Bank of Baroda (Tanzania) Limited. It is the responsibility of the Management to ensure that adequate internal control systems are developed and maintained on an on-going basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations,
- The safeguarding of the Bank's assets,
- Compliance with applicable laws and regulations,
- The reliability of accounting records,
- Business sustainability under normal as well as adverse conditions, and
- Responsible behaviours towards all stakeholders.

Good governance is dependent on adequate and effective Governance Framework which is in line with best international practices. In order to ensure the internal controls remain adequate, the Bank has a full-fledged Risk and Compliance function that coordinates and oversees the implementation of enterprise wide risk management framework within Bank of Baroda (Tanzania) Limited. In addition, the Board through its Risk Committees evaluated the internal control systems during the financial year ended 31 December 2021. It is of the opinion that they adequately and efficiently mitigate risks inherent in Bank of Baroda (Tanzania) Limited's operations.

10. Principal Risks and Uncertainties

The principal risks that may significantly affect the Bank's strategies and development are mainly operational, fraud and financial risks. The description of the operational, fraud and financial risks contend the Bank and whose related management controls in place are as hereunder:

REPORT OF THE DIRECTORS (CONTINUED)**10. Principal Risks and Uncertainties (continued)****10.1 Fraud risk**

There is a general increase in fraudulent transactions in the Banking industry in Tanzania. Management has put in place several controls to mitigate the fraud risk. These controls include:

- The Bank has adequate segregation of duty control in each sensitive area of the operations which include cheque handling, Automated Teller Machine (ATM) card and Personal Identification Number (PIN) controls and strong room,
- The Bank has adequate internal reports generated by system on daily basis that helps detection of any misappropriations and irregularities, and
- The Bank has an Internal Auditor who checks and provides assurance on the banks operations which serves as a protection against any future risk.

10.2 Operational risk

The Bank is exposed to operational risks that may arise from inadequate or failed internal processes, people, systems or external events. However, Bank of Baroda (Tanzania) Limited has adequate operational risk policies and risk management framework that cater for mitigation of these risks

This is a risk resulting from the Bank's activities not being conducted in accordance with formally recognised procedures including non-compliance with Know Your Customer (KYC) and account opening procedures. Management has put in place several controls to mitigate the operational risk including the following:

- The Bank has operational manual for its daily activities, which provides adequately procedures and rules of attending every activity of the Bank,
- The Bank has several policies, which guide the operations of every department and units in a bank, and
- The Bank has a system of making sure every transaction and event concluded has proper supervision and authorization.

10.3 Financial risk

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. More details of the financial risks facing the Bank are provided in Note 4 to the financial statements.

Financial risk includes credit, liquidity and market risks. Bank of Baroda (Tanzania) Limited overall risk management policies are set out by the Board of Directors and implemented by the Management. These policies involve identification, measurement, evaluation and mitigation or control of such risks. The additional details of the financial risks facing the Bank are provided in the notes to the financial statements.

Management has put in place several controls to mitigate the financial risk including the following:

- The Bank has adequate policies that guide each operation relating to financial risk like credit policy, financial policy and Asset and Liability Committee (ALCO) policy,
- Management has internal reports that serve as red flags which puts attention to management in thoroughly reviewing the respective operations like net open position, exchange rates and general asset revaluation, and
- The Bank has in place insurance policies that cover for credit life Insurances for its borrowers.



REPORT OF THE DIRECTORS (CONTINUED)**10. Principal Risks and Uncertainties (Continued)****10.3 Financial risk (Continued)****10.3.1 Liquidity risk**

Liquidity risk is the risk that a Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The Bank's liquidity management process, as carried out within the Bank and monitored by the Asset and Liability Committee (ALCO) of the Bank, include:

Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Bank maintain an active presence in money markets to enable this to happen;

Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and

Managing the concentration and profile of debt maturities.

10.3.2 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. More details of the interest risks facing the Bank are provided in Note 4 to the financial statements.

10.3.3 Credit risk

Credit risk is a risk of loss due to the inability or un-willingness of a client or the guarantors to meet their obligations. Credit risk is a major risk faced by the bank. In order to manage this risk, the Board has designed a credit policy for the bank, which is documented and forms basis for all credit approval decisions. The bank also controls this risk by limiting exposure to one borrower or a group of borrowers, geographical area, industrial segments, etc. Regular audit of credit process is undertaken by the internal audit. The classification of advances based on the overdue balances, showing exposure to credit risk and other disclosures are given in note 4 to the Financial Statements.

10.3.4 Systemic Risk

Systemic risk is the risk that an event at the micro level of an individual bank for example could then trigger instability or collapse an entire industry or economy. The systemic event adversely affects a number of systemically important intermediaries or markets and the trigger of which can be exogenous shock or endogenous shock. The event is strong when the intermediaries concerned fail or when the markets concerned becomes dysfunctional.

To ensure the control over the systemic risk, Bank of Baroda (Tanzania) Limited as financial institution works under guidance and in compliance to verities of risk management platforms to ensure financial system soundness in the industry and the economy at large. The Bank has controls in place to ensure maximum compliance to regulatory requirements, international and local reporting and/or accounting standards, Basel standards, laws in force of the banking business and many other controlling platforms.

11. Capital Structure

The Bank's capital structure for the year under review is as follows:

	2021	2020
	TZS' 000	TZS' 000
Authorized share capital		
25,000,000 shares of TZS 1,000 each	25,000,000	25,000,000
Issued and fully paid-up share capital		
10,000,000 shares of TZS 1,000 each	10,000,000	10,000,000

12. Regulatory Capital

During the period, the Bank has complied with the requirements of Bank of Tanzania. The details on capital management are provided on Note 5.

13. Shareholders of the Bank

Below are the shareholders of the Bank:

S/n	Shareholder	Nationality	2021	2020
			Ordinary shares	Ordinary shares
1	Bank of Baroda	Indian	9,999,999	9,999,999
2	Suresh Gajjar	Tanzanian	1	1
Total			10,000,000	10,000,000

14. Results and Dividends

The Board is of the opinion the bank should plough back the profit to strengthen owned funds and therefore no dividend is recommended.



REPORT OF THE DIRECTORS (CONTINUED)**15 Performance for the Year****15.1 Tanzania Economic Review**

The United Republic of Tanzania is the tenth largest and one of the fastest growing economies in Africa. The economy mainly depends on agriculture, mining and tourism. The main goods imported are fuel/ oil, machinery, construction material and consumer goods. The main goods exported are gold and agricultural produces. Reflecting strong income growth over the past decade, on July 1, 2020 the World Bank announced that Tanzania's gross national income (GNI) per capita increased from USD 1,020 in 2018 to USD 1,080 in 2019, exceeding the threshold for lower-middle income status. The country's broad vision of its development goals as a middle-income country in 2025 are set out in the Tanzania Development Vision 2025 characterized by high-quality livelihoods (peace, stability, and unity), good governance, a well-educated and learning society, competitive economy capable of sustainable growth and shared benefits. To achieve these goals, Tanzania is investing heavily in physical capital and procuring the possibility to invest more on human development to improve the quality of life for all Tanzanians.

During the third quarter in 2021, Tanzania Gross Domestic Product (QGDP) in absolute terms at current prices increased to TZS 37.1 trillion from TZS 34.5 trillion observed in the similar quarter in 2020. Further, QGDP at 2015 constant prices also increased to TZS 32.0 trillion in the third quarter in 2021 from TZS 30.3 trillion in the similar period in 2020, equivalent to 5.2 percent growth rate. Countries in the East African Community that have reported economic performance in the third quarter 2021 show that Rwanda's economy grew by 10.1 percent compared to a negative growth of 3.6 percent in a similar period in 2020; Uganda's economy expanded by 3.8 percent compared to a negative growth of 0.8 percent in the corresponding period in 2020; meanwhile, Tanzania's economy has grown at a rate of 5.2 percent in the third quarter in 2021 compared to 4.4 percent in the third in 2020.

Growth of money supply was high and consistent with the target for 2021/22, owing to liquidity easing monetary policy. Extended broad money supply (M3) grew at 15.5 percent in the year ending December 2021, up from 14.9 percent and 5.7 percent in November 2021 and December 2020, respectively. Similarly, broad money supply (M2) registered an annual growth of 17.6 percent, up from 17.2 percent and 8.2 percent.

The external sector continued to improve from the effects of COVID-19 pandemic, with tourism sector continuing to signal recovery. During the year ending December 2021, the overall balance of payments was a surplus of USD 1,857.3 million from a deficit of USD 764.9 million in the corresponding period in 2020, owing to increase in foreign financial inflows. During the same period the current account recorded a deficit of USD 2,032.3 million from a deficit of USD 1,122.0 million, driven by increased higher imports of goods

15.2 Banking Sub-sector Review

The banking sector generally remained sound and stable with levels of capital and liquidity above regulatory requirements. The accommodative monetary policy continued to ensure adequate supply of liquidity in the domestic money markets in December 2020. This was reflected by sustained low and stable money market interest rates and yields on government securities. Likewise, the stability of the shilling against major currencies continued to signal less pressure on demand for foreign exchange liquidity partly contributed by gradual increase in supply of foreign exchange, mainly from non-traditional exports in particular minerals and manufactured goods.

For the quarter ended September 2020, liquidity in the banking system remained adequate, in line with accommodative monetary policy stance. This was reflected by strong demand for government securities, particularly in the longer-end of the maturity spectrum and softening of the money market interest rates. For the quarter ended September 2020, liquidity in the banking system remained adequate, in line with accommodative monetary policy stance. This was reflected by strong demand for government securities, particularly in the longer-end of the maturity spectrum and softening of the money market interest rates.



REPORT OF THE DIRECTORS (CONTINUED)**15 Performance for the Year (continued)****15.2 Banking Sub-sector Review (continued)**

The shilling remained stable against major global trading currencies. The shilling strengthened due to increase of export proceeds from gold, manufactured goods and tourism. In addition, low inflation supported the stability of Tanzanian shillings. In December 2021, the Tanzanian shilling was traded at TZS 2,307.39 per US dollar, compared with TZS 2,304.64 per US dollar in November 2021. On annual basis, the Tanzanian shillings appreciated by 0.11 percent from TZS 2,309.83 per US dollar registered in December 2020.

Credit extended to the private sector and central government by the banking system grew by 14.9 percent in the year ending December 2021, compared with 10.8 percent a year earlier. Credit extended to the private sector rebounded to pre-pandemic levels, recording an annual growth of 10 percent in December 2021 compared with 7.8 percent in the preceding month and 3.1 percent in December 2020.

The recovery of private sector credit was largely attributed to sustained accommodative monetary policy and improving business conditions from adverse impact of COVID-19 pandemic. Much of the credit to the private sector was directed to trade, personal activities-mainly small and medium undertakings, manufacturing and mining activities. Personal related activities, trade, manufacturing and agriculture remained the major beneficiaries in terms of share of credit extended by banks to the private sector. Domestic credit extended to the private sector and central government by the banking system grew by 14.9 percent for the year ended December 2021, compared with 10.8 percent a year earlier.

Interest rates charged on loans by banks slightly decreased in December 2021, partly reflecting adequacy of liquidity in the banking system and impact of the measures adopted to lower lending rates and increase private sector credit growth. In particular, the overall lending rates averaged 16.37 percent from 16.40 percent and 16.74 percent recorded in the preceding month and in December 2020, respectively. Negotiated lending rates charged to prime customers remained broadly unchanged at around 14 percent. Similarly, interest rates offered on deposits by banks declined marginally. The overall deposit interest rate averaged 6.79 percent in December 2021 compared with 6.80 percent and 7.09 percent in November 2021 and December 2020, respectively. Negotiated deposits rate for prime customers remained almost unchanged around 9.82 percent in December 2021.



REPORT OF THE DIRECTORS
15 Performance for the Year(Continued)
15.3 Performance Highlights of Bank of Baroda (Tanzania) Ltd
15.3.1 Key Business Figures

TZS in Mn

Particulars	31.12.16	31.12.17	31.12.18	31.12.19	31.12.20	31.12.21
Total Deposits	124,552	129,613	133,430	155,535	164,922	178,505
Customer Deposits	123,031	125,592	132,158	149,688	140,666	157,114
Inter-Bank Deposit	1,521	4,021	1,272	5,847	24,256	21,391
Advances (gross)	56,130	86,008	98,573	114,559	134,472	148,300
Of which, Net	54,867	86,008	98,573	113,652	132,747	147,272
Business Mix	180,682	215,621	232,003	270,094	299,394	326,805
Total Asset	159,995	168,369	173,578	196,053	211,672	277,921
Interest Income	12,643	14,176	13,582	14,811	15,166	15,565
Interest Expense	4,704	4,845	4,676	4,843	5,317	6,075
Net Interest Income	7,939	9,331	8,906	9,968	9,849	9,489
Non-Interest Income	2,229	1,959	1,931	1,906	1,490	1,848
Total Income	10,220	11,290	10,837	11,875	11,293	11,337
Operating Expenses	5,397	5,647	5,062	5,638	5,182	6,163
Operating Profit	4,823	5,644	5,775	6,236	6,111	5,174
Net Profit/(Loss)	2,672	2,836	2,147	1,103	3,627	2,084
Gross NPA	4,452	9,376	6,567	2,495	2,943	4,528
Net NPA	3,199	6,469	4,169	1,401	827	3,356

❖ DEPOSIT

Bank provides all Banking services which includes accepting deposits in local currency and foreign currency mainly in USD. The type of deposits are Saving Bank, Current Account, Call Deposits, Recurring Deposits and Fixed Deposits. Aggregate Deposit has increased to TZS 178.51 Billion from TZS 164.92 Billion. Customer Deposit as at 31st December 2021 stood at TZS 157.11 Billion from 140.67 Billion as at 31st December 2020 of which TZS 50.21 Billion (28.13%), (2020: TZS 51.55 Billion (31.26%)) was low cost deposits. Average cost of deposit stood at 3.71% p.a. up from 3.66% in FY 2020. Out of total deposits, 63.68% (2020: 64.14%) was in foreign currency and 36.32% (2020: 35.86%) in Tanzanian Shilling.

❖ ADVANCES

Bank is active in financing various types of economic activities which mainly include trading, manufacturing, construction, hotel, real estate, services like transport, export of agricultural commodities, import of goods and personal loans. As on 31.12.2021, the Gross Advance stood at TZS 148.30 Billion against TZS 134.47 Billion as on 31.12.2020. The Y-o-Y growth was 10.28% (2020: 17.38%). Out of total advances 65.56% (2020: 63.97%) was in US Dollars currency and 34.44% (2020: 36.30%) in Tanzanian Shilling. Yield on advances stood at 9.27% p.a. down from 10.14% p.a. in FY 2020. The performing assets stood at 96.95 percent (2020: 97.81 percent) of gross advances. The Gross NPA increased to 3.05% in 2021 from 2.19% in 2020 due to new slippage to NPA accounts. The ratio was below the maximum requirement of 5 percent. The Bank has continued its steps to focus on NPA recovery so that the Gross NPA level be maintained below 5%.

❖ REMITTANCES

Bank of Baroda (Tanzania) Limited branches provide active remittance services inside the country and overseas. For prompt remittance service, Bank is using various channels of remittance services.



REPORT OF THE DIRECTORS
15 Performance for the Year(Continued)
15.3 Performance Highlights of Bank of Baroda (Tanzania) Ltd(continued)
15.3.2 Key Ratios

Particulars	2016	2017	2018	2019	2020	2021
	%	%	%	%	%	%
Deposit growth	-21.21	4.06	2.94	16.57	6.04	8.24
Credit growth	3.15	53.23	14.61	16.22	17.38	10.28
Growth in Income	4.78	10.48	-4.02	9.58	-4.9	0.39
Growth in Operating Expenditure	22.94	4.63	-10.36	11.38	-8.09	18.93
Growth in Profit before Tax	-0.21	27.99	-17.05	-50.36	198.27	-30.28
Net Profit growth	-19.08	6.14	-24.29	-48.64	228.83	-40.75
Return on Equity	9.78	7.64	6.5	2.81	8.38	4.76
Return on Asset	2.05	1.69	0.82	0.59	1.7	0.77
Cost to Income	52.81	50.01	46.71	47.49	45.93	54.48
Gross NPA%	7.93	10.55	10.84	2.18	2.19	3.05
Net NPA%	5.81	7.52	8.4	1.22	0.77	2.26

15.3.3 Variance Analysis

We are pleased to analyse the significant variances in the trend for the period under review compared to the performance of the Bank for the financial year ended 31st December, 2021.

The decline in net profit before and after taxation was on account of write off of accounts as per regulatory requirements which were not fully provided as per the reporting requirements during the year. We have written off an amount of TZS 0.89 Billion which remained in NPL category for more than four consecutive quarters and which were not fully provided as per IFRS.

Growth in Operating expenses in response to revision of salaries for staff of the Bank which is linked to increased cost of living emanating from among other factors. Consumer Price Index (CPI) mainly measured by the core and non-food price indices.

Decline in operating income as compared to the corresponding period in 2020 in response to decline in net interest income as a result of growth in interest expense that ought to weigh the increase in interest income. The average cost of deposit for the bank for the period under review has increased as compared to the year 2020.

15.3.4 Bank's performance vis-a-vis Industry

During the last eighteen years of operations, the Bank could establish its business at sizable level. In the financial year 2021, despite challenging industry scenario and the COVID 19 pandemic, the Bank has shown improved performance in all the parameters. Operating efficiency wise, the Bank continued to be one of the best banks operating in Tanzania. In adverse environment most of the banks in Tanzania are either experiencing sharp decline in profit or incurring net loss. Due to adverse market scenario, the Gross NPA of the Bank was 3.05% but lower than the industry minimum requirement of 5%. The Bank has continued with its focus on NPA recovery and has taken measures to maintain the NPA below the maximum requirement of 5% in FY 2021.



REPORT OF THE DIRECTORS**16. Cashflow**

The Bank's investment in government securities grown by TZS 1.21 billion (2020: TZS 0.89 billion decline) and lending to customers rose by TZS 14.52 billion (2020: TZS 1.2 billion). On the other hand, deposits from customers rose by TZS 16.45 billion (2020: TZS 19.10 billion). Such investment activities and customer deposits are the major factors explaining the Bank's movement in cash flow generated from operations. From total investments in securities, 12% is expected to mature in 2021. The Bank continues to maintain sound liquidity position to enable it meet its cash flow commitments and requirements.

17. Liquidity and Funding Policy

Bank of Baroda (Tanzania) Limited strongly emphasise on liquidity risk management and daily cash flow management which is handled by the Treasury Department to ensure the Bank holds sufficient liquid assets to enable it continue with normal operations. Asset Liability Committee (ALCO) also manages the Bank's exposure to liquidity risk by ensuring that limits are in line with realistic assumptions and tracks compliance on a monthly basis. Stress test to ascertain the Bank's resilience to market shocks is done by Risk and Compliance Department.

The Bank's main sources of funding are customers' deposits and shareholders' funds and occasionally interbank borrowings as part of its normal market operations. All these initiatives aimed at reducing dependency on interbank borrowing and provide financing of midterm to long term projects.

18. Treasury Policy

The Bank of Baroda (Tanzania) Limited operates a centralized treasury department for managing treasury activities in accordance with the framework of treasury policies and guidelines approved by the Board. The treasury department transacts with a number of counterparty banks and financial institutions, and adopts a systematic approach to the control and monitoring of counterparty credit risk. Bank of Baroda (Tanzania) Limited, through its Risk and compliance department, monitors compliance against the principal policies and guidelines. The key treasury policies are:

18.1 Market Risk

The policy provides guidance/ framework for managing exchange rate and interest risks, also protect the value of the bank assets from adverse effects of market rate movements.

18.2 Liquidity Risk

Provide guidance for management of the liquidity risk under normal and crisis situation. This set out a liquidity management decision making structure in the bank, approach to funding and planning for liquidity planning and management, regulatory compliance and contingency funding. Strong cash generation in recent years and a prudent financing strategy have resulted in adequately position to withstand the credit crisis in the bank and capital markets.



REPORT OF THE DIRECTORS (CONTINUED)**18.3 Contingent Funding Plan**

Manages stressed liquidity situation created by a problem or market wider crisis and ensure that the bank is able all the time to meet its matured obligations as they fall due and remain as good as going concern.

18.4 Limit

Provide guidance/framework for managing market and liquidity risks for the counterparties at domestic and international level. It also provides guidance for investment and credit exposures limit.

18.5 Current Liquidity and level of Borrowing

The Bank ensures that liquidity is monitored and adequately manages its liquidity gap by determining the excess or shortage of funds at selected maturity dates by tracing cash inflows and outflows over a series of specified time buckets. The aim is to trace and reflect the maturity periods for the Bank's assets and liabilities.

18.6 Maturing profile and Un-drawn commitment Borrowing

The Bank is sound and will remain to be sound in liquidity position as it has adopted a more conservative approach to the investment of its surplus cash, with money market deposits being placed with relatively stronger financial institutions for shorter periods. Bank counterparty credit risk has been, and continues to be, monitored closely on a systematic and ongoing basis, taking account of the size of the institution.

19. Future Development Plans

In 2022, the Bank will continue implementing the 5-year strategy focusing systems and products while also improving quality of service. The Bank will also continue with aggressive recovery of bad loans and enhancement of credit risk management.

20. Accounting Policies and Critical Judgement and Estimates

Results of the Bank are sensitive to the accounting policies, assumptions and estimates that underline the preparation of the financial statements. When preparing the financial statements, it is the Directors' responsibility under the Tanzania Companies Act 2002 to select suitable accounting policies and to make judgments and estimates that are reasonable and prudent. The accounting policies that are deemed critical to our results and financial position, in terms of the materiality of the items to which the policies are applied and the high degree of judgment involved, including the use of assumptions and estimation, are described in Notes 2 to the financial statements.

21. Solvency

The state of affairs of the Bank as at 31 December 2021 is set out on page 28 of the financial statements. The Directors consider the Bank to be solvent within the meaning ascribed by the Tanzania Companies Act, 2002. In the opinion of the Directors, there are no prejudicial matters that can affect the Bank.

22. The Key Resources and Strength

Bank of Baroda (Tanzania) Limited continues to give its top priority to key resources which are people and technology which gives us strength in service delivery, productivity and financial strength. Customer satisfaction depends first and foremost on people and hence employees continue to be the most important asset as demonstrated by this year's result which is a tribute to their commitment and hard work. Bank of Baroda (Tanzania) Limited has skilled and experienced employees who are considered as key resources in pursuing its business objectives. Bank of Baroda (Tanzania) Limited continues to encourage open and honest communication in decision making. ICT is also an important enabler in service delivery. This is the reason why Bank of Baroda (Tanzania) Limited has continuously investing in the state of art technology to realise operational excellence and better service delivery to our customers.

Productivity has been the key focus for Bank of Baroda (Tanzania) Limited and thus the initiatives we embarked on during the year have made us achieve significant progress in embedding productivity culture throughout Bank of Baroda (Tanzania) Limited. Our aspiration is to continuously make the Bank more customers focused and efficient in the long term, while managing short term expenses within appropriate level. Given the strength of Bank of Baroda (Tanzania) Limited we have ample capacity to support our customers.



REPORT OF THE DIRECTORS**23. Fiduciary Responsibility**

Members of the Board of Directors as stewards of public trust always acted for the good of the bank rather than for the benefit of themselves throughout the period. Reasonable care was exercised in all decisions taken by the bank without placing the Bank under unnecessary risks.

24. Environmental Control

The Bank is committed to the prevention of environmental pollution and is in compliance with relevant environmental laws in the area it operates as a minimum standard and seek to implement best practices wherever possible.

25. Gender Parity

The Bank gives gender equal opportunities to all Tanzanians during recruitment and filling of positions provided they have the required qualifications and ability. Out of the total number of employees in the Bank as at 31 December:

Gender	2021	2020
Male	28	28
Female	21	22
	49	50

26. Employees Welfare**26.1 Training Program**

Bank of Baroda (Tanzania) Limited spent TZS 37.58 billion in the period under review from TZS 17.80 billion incurred in 2020 on staff training in order to improve employees' technical skills and performance. A total number of 23 (2020: 22) staff were financed by the Bank to attend various trainings during the year. In year 2021, Bank of Baroda (Tanzania) Limited continued to provide e-learning training courses covering soft skills and specialised courses for ICT, risk management, relationship management and credit management which enabled employees to acquire relevant skills for better understanding of their work. The Bank is encouraging staff to pursue Distance Learning Programme on banking certificate and diploma courses that can be easily accessed countrywide. In house training programmes and structured programmes offered locally and internationally were also part of the training programmes for 2021 to enable experience sharing and exposure.

26.2 Medical Assistance

Bank of Baroda (Tanzania) Limited continues to provide medical services to its employees, their spouses and up to four children. The services is structured in such a way that, all local employees are covered by health insurance while expatriate employees are served on reimbursement basis. The spirit of Bank of Baroda (Tanzania) Limited is to assist employees work life balance and ensure better productivity.

26.3 Health and Safety

Bank of Baroda (Tanzania) Limited takes all reasonable and practicable steps to safeguard health, safety and welfare of its employees. A safe working environment is maintained for all employees by providing adequate and proper personal protective equipment, training and supervision as necessary. Bank of Baroda (Tanzania) Limited observes Occupational Safety and Health Administration (OSHA) requirements and ensures full compliance.



REPORT OF THE DIRECTORS (CONTINUED)**26. Employees Welfare (continued)****26.4 Financial Assistance to Staff**

Incentive Loans and advances are available to all confirmed employees depending on the assessment and discretion of management as to the need and circumstances in line with the Human Management Resources and Credit Policies.

26.5 Staffing

As at 31 December, 2021 Bank of Baroda (Tanzania) Limited's number of employees were 49 employees from 50 in 2020. Out of the total number of staff in Bank of Baroda (Tanzania) Limited as at 31 December 2021; 28 were male and 21 females. Bank of Baroda (Tanzania) Limited gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors such as gender, marital status, tribe, religion, and disability which does not impair ability to discharge duties.

26.7 Disabled persons

It remains the Bank's policy to accept disabled persons for employment for those vacancies that such persons are able to fill. The bank has not recruited any disabled persons during the year.

27. Gratitude

The Board of directors express its sincere gratitude to the Government of the United Republic of Tanzania, Bank of Tanzania, Bank of Baroda (India) and Tanzania Investment Centre, valued clients, staff, all the stakeholders and well wishers for their co-operation and support.

28. Events After Reporting Period

There are no material events, adjusting or non adjusting, which have occurred between the reporting date and the date when financial statements are authorized for issue.

29. Auditor

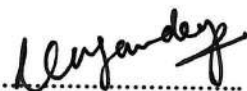
M/s NEXIA SJ TANZANIA, of P.O. Box 12729, Dar es Salaam were appointed as the independent auditors of Bank of Baroda (Tanzania) Limited for the year ended 31 December 2021. The auditors have expressed their willingness to continue in office. A resolution proposing the reappointment or appointment of auditors of the Bank for the year ending 31 December 2022 will be placed in the Annual General Meeting.

By Order of the Board


.....
Mr. Aditya Narayan Singh
Managing Director

Date : 28/03/2022




.....
Mr. Vikash Kumar Pandey
Deputy Managing Director



Bank of Baroda (Tanzania) Limited
Statement of directors' responsibilities
For the year ended 31st December 2021

The directors are required in terms of the Companies Act of 2002 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the bank as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards, the requirements of the Companies Act of 2002 and Banking and Financial Institution Act, 2006. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards, the requirements of the Companies Act of 2002, Banking and Financial Institution Act, 2006 and the guidelines of Bank of Tanzania, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the bank and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets 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 forms of risk across the bank. While operating risk cannot be fully eliminated, the bank endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors acknowledge that they are responsible for establishing appropriate policies and procedures to prevent non-compliance with laws and regulations (NOCLAR), including whistle blowing procedures as a necessary part of good internal governance.

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.

The directors have reviewed the bank's cash flow forecast for the year to 31 December 2022 and, in the light of this review and the current financial position, they are satisfied that the bank has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the bank's financial statements. The financial statements have been examined by the bank's external auditors and their report is presented on pages 21 to 26.

The financial statements set out on pages 27 to 50, which have been prepared on the going concern basis, were authorised and approved by the board of directors on 28.12.2022 and signed on its behalf by:

Mr. Aditya Narayan Singh
 Director



Mr. Vikash Kumar Pandey
 Director



Bank of Baroda (Tanzania) Limited
Declaration of the Head of Finance
For the year ended 31 December 2021

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

As stated above, it is the duty of the Finance Manager as the Professional Accountant to assist the directors to discharge the responsibility of preparing financial statements of the company that show a true and fair view of the company's position and performance in accordance with International Financial Reporting Standards. Full legal responsibility for the preparation of financial statements rests with the directors as disclosed in the Statement of director's responsibility on page 19.

I CPA Deogratias Edward Ndushi being Head of Finance/Accounting of Bank of Baroda (Tanzania) Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2021 have been prepared in compliance with International Financial Reporting Standards, Banking and Financial Institutions Act, 2006 and the Tanzanian Companies Act, 2002.

I thus confirm that the financial statements give a true and fair view position of Bank of Baroda (Tanzania) Ltd as at 31 December 2021 and that they have been prepared based on properly maintained financial records.

Signed by:

NBAA Membership No.: ACPA 2964

Date: 28.03.2022





**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BANK OF BARODA (TANZANIA) LIMITED**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of Baroda (Tanzania) Limited, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF BANK OF BARODA (TANZANIA) LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

No.	Key audit matter	How our audit addressed the key audit matter
1.	<p>Impairment loss on loans and advances to customers</p> <p>Impairment is a subjective area due to the level of judgement applied by management in determining provisions. The Bank is required to calculate impairment of loans and advances in accordance with both the regulations of the Bank of Tanzania and IFRSs.</p> <p>We focused on the identification of impairment events, which differs based upon the type of lending product and customer. Judgement is required to determine whether a loss has been incurred. We also focused on the measurement of impairment losses, including the assessment of whether historical experience is appropriate when assessing the likelihood of incurred losses in respect to loans. As disclosed in under the <i>significant accounting policies</i>, judgement is applied in determining the appropriate parameters and assumptions used to calculate impairment. For example, the assumption of customer that will default, the valuation of collateral for secured lending and the expected future cash flows of loans.</p> <p>The disclosure associated with credit risk is set out in the financial statements, under Significant accounting policies point number (G)</p>	<ul style="list-style-type: none"> • Our audit procedures included the assessment of key controls over the approval, recording and monitoring of loans and advances, and evaluating the methodologies, inputs and assumptions used by the Bank in calculating collectively assessed impairment losses, and assessing the adequacy of impairment allowances for individually assessed loans and advances. We compared the Bank's assumptions for impairment allowances to externally available industry, financial and economic data and our own assessment in relation to key inputs. As part of this, we assessed the Bank's estimates and assumptions used including the consistency of judgement applied in determination of the amount and timing of expected future cash flows, and consideration of economic factors and historical default rates. • We evaluated whether the Bank's assumption on the expected future cash flows, including the value of realisable collateral was based on up-to-date valuations and available market information. • We also assessed whether the financial statements disclosures appropriately reflect the Bank's exposure to credit risk. • We challenged management assumptions regarding the recovery rate of unsecured facilities.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF BANK OF BARODA (TANZANIA) LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

No.	Key audit matter	How our audit addressed the key audit matter
2.	Information control systems and controls over financial reporting in the financial statements.	
	<p>The banks financial and accounting and reporting systems are heavily dependent on complex systems. Significant reliance on IT systems presents a significant risk to the bank as the core banking system is considered complex due to multiple significant functionalities and interdependencies with other systems. We spent significant audit effort in the audit of these systems as part of the audit process, as it is critical for the control environment of the bank and therefore, we determined it to be a key audit matter.</p>	<p>Our audit procedures in this area included, among others the use of our IT auditors / specialists in:</p> <ul style="list-style-type: none"> • Reviewing of IT Governance practices to assess their adequacy, the existence of IT Risk assessment, and the role of IT Steering Committee (if any) and the Board of Directors; • Reviewing information systems within the financial institutions including core banking system, operating systems, applications, databases, servers and networking devices and confirm whether all the systems are robust enough to ensure data integrity, confidentiality and availability; • Performing application controls testing which include configuration controls, sensitive access and segregation of duties controls, interface controls, data integrity controls and obtain reasonable assurance on the accuracy and completeness of reports; • Reviewing and accessing whether balances resulting from all transactions and data processed within the institution's IT system are accurately captured and reported in the General Ledger, the Financial Statements and Returns submitted to the BOT; and • Reviewing IT security controls including application security, privileged access, audit trails, system monitoring and maintenance, vulnerability assessments and penetration testing, controls over program and system changes, integrity and systems ability to recover from unexpected shutdown's and ability to recover from a disaster resulting in loss of data. The business continuity practice in its totality was reviewed.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF BANK OF BARODA (TANZANIA) LIMITED

Report on the Audit of the Financial Statements (continued)

Other Information

Other information consists of the information included in the corporate information, report of the directors, statement of directors' responsibilities and declaration of the head of finance, other than the financial statements and our auditor's opinion thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

Management is responsible for the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 of Tanzania, and for such internal control as management determines 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, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of the auditor's responsibilities for the audit of the financial statements is given in the Appendix to Independent Auditor's report. This description forms part of our auditor's report.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF BANK OF BARODA (TANZANIA) LIMITED

Report on the Audit of the Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

This report, including the opinion, has been prepared for, and only for, the Bank's members as a body in accordance with the Companies Act, 2002 and for no other purpose.

As required by the Companies Act, 2002 we report to you, based on our audit that:

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) in our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books; and
- (iii) the Bank's statement of financial position and statement of comprehensive income are in agreement with the books of account.

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

- In our opinion, the capital adequacy ratios as presented in Page 41 of the financial statements have been computed in accordance with the Banking and Financial Institutions Act, 2006, and the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014 of Tanzania.

Nexia S.J.

Nexia SJ Tanzania
Certified Public Accountants
1st Floor, Oyster Plaza, Haile Selassie Road
P.O. Box 12729, Dar es Salaam, Tanzania.

S. Jaffer

Sujata Jaffer
Engagement Partner
NBAA registration no. ACPA 718
Dar es Salaam
Ref: NSJ/13/2022

Date: 28/03/ 2022

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF BANK OF BARODA (TANZANIA) LIMITED****Report on the Audit of the Financial Statements (continued)****Appendix to Independent Auditors Report**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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 we identify during our audit.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2021

	Notes	31-Dec-21 TZS '000	31-Dec-20 TZS '000
Interest income	6	15,564,522	15,165,798
Interest expense	7	<u>(6,075,437)</u>	<u>(5,317,061)</u>
Net interest income		9,489,085	9,848,737
Fees and commission income	8	1,256,248	1,002,036
Foreign exchange gain	8(a)	498,597	429,805
Other operating income	8(b)	<u>93,559</u>	<u>59,098</u>
Operating income		11,337,489	11,339,677
Operating expenses	9	<u>(6,093,661)</u>	<u>(5,228,427)</u>
Impairment losses on loans and advances	10	(666,489)	(895,730)
Bad debts written off	10	(894,744)	(33,695)
Profit before tax		3,682,595	5,181,825
Tax expense	11	<u>(1,598,138)</u>	<u>(1,554,834)</u>
Profit for the year attributable to the owners of the bank		2,084,457	3,626,990
Earnings per share (TZS per share)	31	<u>208</u>	<u>363</u>


The accounting policies and notes on page 31 to 50 form an integral part of these financial statements.


Mr. Aditya Narayan Singh
 Managing Director

Date :- 28/03/2022

Place :- Dar es Salaam




Mr. Vikash Kumar Pandey
 Deputy Managing Director

Date :- 28/03/2022

Place :- Dar es Salaam

Report of the Independent auditor is on page 21 to 26

The financial statements on page 27 to 50 are approved by the Board of directors and signed on its behalf by

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2021

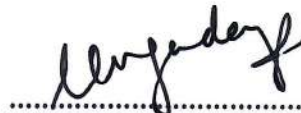
	Notes	31-Dec-21 TZS '000	31-Dec-20 TZS '000
ASSETS			
Cash and balances with Bank of Tanzania	12	15,119,203	17,729,334
Deposits and balances due from banking institutions	13	36,303,572	34,982,793
Government securities	14	21,486,291	20,279,872
Net loans and advances to customers	16	147,272,057	132,746,975
Property and equipment	21	1,945,011	2,263,522
Current income tax recoverable	17	4,155,104	1,911,340
Deferred income tax	24	203,519	481,134
Right of use asset	19	1,637,081	614,819
Other assets	18	1,004,808	662,723
Total assets		229,126,646	211,672,511
LIABILITIES			
Customer deposits	22	157,114,021	140,666,357
Deposits and balances due to banking institutions	22	21,391,229	24,256,148
Other liabilities	23	1,116,134	1,922,970
Lease liability	20	1,538,888	595,953
Current tax	25	2,882,108	1,075,906
Total liabilities		184,042,380	168,517,334
EQUITY			
Share capital	30	10,000,000	10,000,000
Retained earnings		33,960,281	32,234,308
Revaluation reserves		248,733	248,733
Statutory reserve		875,252	672,136
Total equity		45,084,266	43,155,177
Total liabilities and equity		229,126,646	211,672,511

The accounting policies and notes on page 31 to 50 form an integral part of these financial statements.

The financial statements on pages 31 to 50 are approved by the Board of directors on 2022 and signed on its behalf by:



Mr. Aditya Narayan Singh
Managing Director

Mr. Vikash Kumar Pandey
Deputy Managing Director


Report of the Independent auditor is on page 21 to 26



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

	Share capital TZS '000	Revaluation Reserve	Statutory reserve TZS '000	Retained earnings TZS '000	Total TZS '000
At 1st January 2020	10,000,000	248,733	774,944	28,380,574	39,404,251
Changes in equity					
Profit for the year	-	-	-	3,626,990	3,626,990
Prior period adjustments	-	-	-	123,936	123,936
Difference between BOT Provision and IFRS 9 Provision	-	-	(102,808)	102,808	-
At 31st December 2020	10,000,000	248,733	672,136	32,234,308	43,155,177
At 1st January 2021	10,000,000	248,733	672,136	32,234,308	43,155,177
Changes in equity					
Profit for the year	-	-	-	2,084,457	2,084,457
Prior period adjustments	-	-	-	(155,368)	(155,368)
Difference between BOT Provision and IFRS 9 Provision Adjustment	-	-	203,116	(203,116)	-
At 31st December 2021	10,000,000	248,733	875,252	33,960,281	45,084,266

The accounting policies and notes on page 31 to 50 form an integral part of these financial statements.


.....
Mr. Aditya Narayan Singh
Managing Director




.....
Mr. Vikash Kumar Pandey
Deputy Managing Director


STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2021

Notes	31-Dec-21 TZS '000	31-Dec-20 TZS '000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	3,682,595	5,181,824
Depreciation	379,408	232,231
Gain on disposal/revaluation	-	(3,800)
Prior period adjustments	(155,368)	123,936
Provision for impairment	666,489	895,730
Net cash flow before changes in working capital	4,573,124	6,429,921
Change in working capital		
Increase in Statutory Minimum Reserve (SMR)	(759,223)	274,823
(Increase)/ decrease in government securities maturing after 3 months	(1,206,419)	891,787
Increase / (Decrease) in deposits due from other banks	-	(1,842,705)
(Increase) in loans and advances to customers	(15,191,571)	(19,990,285)
Increase in other assets	(3,330,497)	(291,354)
Increase in customers deposits	16,447,664	(9,051,485)
Increase in deposits due to banking institutions	(2,864,919)	18,408,722
Decrease in other liabilities	1,942,301	1,440,527
Cash generated from operating activities	(389,540)	(3,730,049)
Tax paid	(1,598,138)	(1,554,834)
Net cash flow generated from operations	(1,987,678)	(5,284,883)
CASH FLOW FROM INVESTING ACTIVITY		
Purchase of property and equipment	(60,894)	(1,147,000)
Net cash flow used in investing activities	(60,893)	(1,147,000)
Net decrease in cash and cash equivalent	(2,048,571)	(6,431,883)
Cash and cash equivalent at beginning of the year	39,466,499	45,898,382
Cash and cash equivalent at the end of the year	37,417,928	39,466,499

The accounting policies and notes on page 31 to 50 form an integral part of these financial statements.


 Mr. Aditya Narayan Singh
 Managing Director




 Mr. Vikash Kumar Pandey
 Deputy Managing Director

1 REPORTING ENTITY

Bank of Baroda (Tanzania) Limited is a wholly owned subsidiary of Bank of Baroda Ltd., India. It has been incorporated under the Tanzanian Companies Act, 2002 on 4 December 2003. The Bank of Tanzania issued a license to conduct Banking Business under Section 5 of the Banking & Financial Institutions Act, 1991 (As amended) on 7 October 2004. The Bank commenced business on 13 October 2004. The principal activity of Bank of Baroda (Tanzania) Limited is to provide banking and related services stipulated by the Banking and Financial Institutions Act, 2006.

The address of the registered office is as follows:

Plot No. 149/32
Ohio / Sokoine Drive
P. O. Box 5356
Dar es Salaam, Tanzania.

The Bank's financial statements for the year ended 31 December 2021 have been approved for the issue by the Board of Directors on **28th March, 2022**. neither the entity's owners nor others have the power to amend the financial statements after issue.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Statement of compliance

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements are presented in Tanzania Shillings (TZS) which is also the functional currency, rounded to the nearest thousand.

The financial statements comprise statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and notes to financial statements. Income and expenses, excluding the components of other comprehensive income, are recognised in the statement of comprehensive income. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity.

2.2 Basis of preparation

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Additional information required by the Tanzania Companies Act 2002 and the Banking and Financial Institution Act, 2006 were included where appropriate. The financial statements comprise statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the notes to financial statements.

The measurement basis applied in the preparation of these financial statements is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania shillings (TZS) and the amounts are rounded to the nearest thousand shillings except where otherwise indicated.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The directors believe that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly

The areas involving a higher degree of judgement, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3 Changes in accounting policy and procedures****i) Standards adopted**

Title	Key requirements
Amendments to IFRS 16 'Leases' – Covid-19 related rent concessions	<p>As a result of the corona virus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.</p> <p>The amendment had no impact on the financial statements of the Bank. These amendments defer the date of application of IFRS 17 by 2 years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.</p> <p>These amendments had no impact on the financial statements of the Bank.</p>
Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9	<p>The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.</p> <p>These amendments had no impact on the financial statements of the Bank.</p>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	<p>The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.</p> <p>These amendments had no impact on the financial statements of the Bank.</p>

ii) New standards and interpretations that are not yet effective and have not been early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31st December 2021 reporting periods and have not been early adopted by the Bank. These standards are not expected to have a material impact on the Bank in the current or future reporting periods and on foreseeable future transactions

Title	Key requirements	Effective date
Amendments to IAS 16 — Property, Plant and Equipment	<p>IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.</p>	<p>Effective for annual periods beginning on or after January 1, 2022. Early application is permitted.</p>
Amendments to IAS 37 — Provisions, Contingent Liabilities and Contingent Assets	<p>IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).</p>	<p>Effective for annual periods beginning on or after January 1, 2022. Early application is permitted.</p>
Amendments to IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors	<p>IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements.</p>	<p>Effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.</p>
Amendments to IFRS 1 — First-time Adoption of International Financial Reporting Standards	<p>IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements.</p>	<p>Effective for annual periods beginning on or after January 1, 2022. Early application is permitted.</p>
IFRS 17 — Insurance Contracts	<p>IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.</p>	<p>Annual periods beginning on or after January 1, 2022.</p>
Amendments to IFRS 3 — Business Combinations	<p>IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger).</p>	<p>Effective for annual periods beginning on or after January 1, 2022. Early application is permitted.</p>



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Interest income and expenses

Interest income and expense for all interest-bearing financial instruments are recognized within 'interest and similar income' and 'interest and similar expense' in statement of profit or loss and other comprehensive income using the effective interest rate method.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for;

(a) Purchased or originated credit-impaired financial assets for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.

(b) Financial assets that are not purchased or originated credit impaired but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e.net of the expected credit loss provision).

Interest accruing from non-performing credit accommodations is suspended from being recognized in the statement of profit or loss and other comprehensive income. When a credit accommodation is upgraded to a current status, the suspended interest is released to the statement of profit or loss and other comprehensive income.

2.4 Fees and commission income

Unless included in the effective interest calculation in (c) above, fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan appraisal fees for loans that have been or are likely to be drawn down are deferred and recognized over the period of the loan using the effective interest method. Fees and commission expense are deferred and recognized on an accruals basis when incurred.

2.5 Foreign currency transactions

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the company operates), which is Tanzanian Shillings.

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the statement of financial position date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognized on a net basis in the statement of comprehensive income in the year in which they arise.

2.6 Financial instruments

Classification

Financial instruments held during the year were classified as follows:

- Demand and term deposits with banking institutions, loans & advances and other assets were classified as 'loans and receivables'.
- Government securities were classified as 'held-to-maturity investments'.
- Borrowings, trade and other liabilities including customer deposits were classified as financial liabilities.

Recognition and measurement

2.6.1 Financial assets:

Financial assets are any assets that is cash, a contractual right to receive cash or another financial asset from another financial institution, a contractual right to exchange financial instrument with another institution under conditions that are potentially favorable or equity instrument of another enterprise.

The Bank classifies its financial assets in the following categories: Financial assets at fair value through statement of comprehensive income; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.6.1 Financial assets:(continued)****i. Financial asset at fair value through statement of comprehensive income**

The Bank assesses at each financial position whether there is objective evidence that a financial asset is impaired. If any such evidence exists, an impairment loss is recognised. Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. In the case of held-to-maturity investments and loans and receivables, the recoverable amount is the present value of the expected future cash flows, discounted using the asset's effective interest rate.

A provision for unidentified loan impairment is established to cover losses that are judged to be present in the lending portfolio at the statement of financial position date, but which have not been specifically identified as such. This provision is based on available historical experience and experienced judgment.

When a loan is deemed uncollectible, it is written off against the related provision for impairments. Subsequent recoveries are credited to the provision for loan losses in the statement of comprehensive income. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited as a reduction of the provision for impairment in the statement of comprehensive income.

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the renegotiated terms apply in determining whether the asset is considered to be past due.



2.6 Financial instruments (continued)

2.6.1.1 Recognition of financial assets

Financial assets are initially recognized at fair value through profit or loss. Financial assets are derecognized when the right to receive cash flows from the financial assets have expired or when the bank has transferred substantially all risks and rewards of ownership.

2.6.1.2 Statutory loan loss provision

Where impairment losses required by the regulators exceed those computed under IFRS, the excess is recognized as a statutory loan loss reserve and is accounted for as an appropriation of retained earnings. The statutory loan loss reserve is not distributable.

2.6.1.3 General provision reserves

General provisions, recorded as general reserves, are based on 1% of loans and other risk assets classified as current. General provision is part of tier 2 capital as opposed to statutory reserve. The definition of other risk assets is provided in the Banking and Financial Institutions (Management of Risk Assets) Regulation 2014 to mean Total Assets of a bank MINUS its loans, cash, gold, amounts due from the Bank, Government securities, securities issued by the Bank of Tanzania, Government securities issued by other Government institutions which are unconditionally guaranteed by the Government as to repayment of principal and interest at maturity date, bank premises, furniture and equipment, and such other assets as may be declared by the Bank as non-risk.

2.6.1.4 Derecognition of financial assets

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.6.2 Financial liabilities:

All financial liabilities are recognised initially at fair value of the consideration given plus the transaction cost.

Subsequently, all financial liabilities are carried at amortised cost using the effective interest method.

2.6.2.1 Presentation

All financial assets are classified as non-current except, those with maturities of less than 12 months from the financial position date, those which the directors have expressed intention of holding for less than 12 months from the financial position date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial liabilities are classified as non-current except, those expected to be settled in the company's normal operating cycle, those payable or expected to be paid within 12 months of the financial position date and those which the company does not have an unconditional right to defer settlement for at least 12 months after the financial position date.

2.6.2.2 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

2.6.2.3 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.7 Property and equipment

All categories of property and equipments are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or are recognised as separate asset, as appropriate, only when it is probable that future economic benefit associated with the asset will flow to the bank for more than one year. All other repairs and maintenance expenses are charged to the statement of comprehensive income.

Depreciation is provided in full in the month of additions. No depreciation is provided in the month of sale/disposal. Depreciation is calculated to write off the cost of the fixed assets over their estimated useful lives, as follows:

	Rate	Method
· Computers and software	33.33%	Straight line
· Vehicles	33.33%	Straight line
· Furniture & fitting	12.50%	Reducing balance
· Leasehold improvement	12.50%	Reducing balance
· Office equipment	12.50%	Reducing balance

Property and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.



2.8 Other accounting policies**a) Acceptances, guarantees and letters of credits**

Acceptances, guarantees and letters of credit are accounted for as off balance sheet transactions and disclosed as

b) Leases

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease period. Prepaid operating lease rentals are recognized as assets and are subsequently amortized over the lease period.

c) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with maturities of three months or less from the date of acquisition, including, cash and balance with Bank of Tanzania, and amounts due from other banks. Cash and cash equivalent excludes the cash reserve requirement held with Bank of Tanzania.

d) Income taxes

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognized in the statement of comprehensive income except when it relates to items recognized in other comprehensive income, in which case it is recognized in other comprehensive income, or to items recognized directly in equity, in which case it is also recognized directly in equity.

Current income tax is the amount of income tax payable on the profit for the year determined in accordance with the Tanzania Income Tax Act.

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantively enacted at the statement of financial position date and expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled; are used to determine deferred tax.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized.

e) Provisions

Provisions are recognised when the company has a present legal or contractual obligation as a result of past events, which will result in an economic outflow and where a reliable estimate can be made of the amount of the obligation.

f) Employee benefits

All short term employee benefits are provided for in the income statement on accrual basis. Further, employees are members of a defined benefit scheme, employees contribute ten percent of their salary and employer contributes ten percent of the employees' salary to the scheme. The employers' portion is accounted for in the period it falls due.

g) Comparatives

Where ever necessary, comparative figures have been regrouped to confirm to the changes in the presentation in the current year.

h) Statutory reserves

Where impairment losses required by the regulators exceed those computed under IFRS, the excess is recognized as a statutory loan loss reserve and is accounted for as an appropriation of retained earnings. The statutory loan loss reserve is not distributable.



3 RISK MANAGEMENT

Operating in a liberalized and globalised environment, bank is exposed to different types of risks emanating from financial and non-financial factors. Risks faced by the bank have been categorized as credit risk, market risk and liquidity risk.

a) Credit risk

Credit risk is a risk of loss due to the inability or un-willingness of a client or the guarantors to meet their obligations. Credit risk is a major risk faced by the bank. In order to manage this risk, the Board has designed a credit policy for the bank, which is documented and forms basis for all credit approval decisions. The bank also controls this risk by limiting exposure to one borrower or a group of borrowers, geographical area, industrial segments, etc.

Regular audit of credit process is undertaken by the internal audit. The classification of advances based on the overdue balances, showing exposure to credit risk, is given below:-

Particulars	Gross loans and advances (including interest in suspense)	Secured	Unsecured (including unrecovered interest)
	TZS '000	TZS '000	TZS '000
Year ended 31 December 2021			
Fully performing	143,771,477	122,828,890	20,942,587
Sub Standard	2,771,595	2,769,243	2,352
Doubtful	949,471	749,774	199,697
Loss	807,037	585,714	221,323
	148,299,579	126,933,621	21,365,958
Year ended 31 December 2020			
Fully performing	131,530,301	113,206,283	18,324,018
Sub Standard	446,447	367,131	79,316
Doubtful	5,022	5,022	-
Loss	2,490,145	2,488,984	1,161
	134,471,915	116,067,420	18,404,495

The bank is holding an impairment provision of TZS 757,831,479 (2020: TZS 1,688,950,435) against the gross loans and advance.

b) Market risk

The bank is exposed to market risk. Market risk arises from open positions in interest rate, currency and equity products. The Board sets limits and reviews it at regular interval based on the risk that may be accepted. Further, the exposure is monitored on a daily basis.

i) Interest rate risk

The bank is exposed to various risks associated with the effect of fluctuation in the prevailing levels of market interest rates on its financial position and cash flow. The bank has the discretion to change the rates on deposits, loans and advances in line with changes in market trend. These measures minimize the bank's exposure to interest rate risk. Refer 4(c) for exposure on the interest rate risk.

ii) Currency risk

The bank is exposed to the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rate. The bank is involved in foreign currency market only to the extent of buying and selling to the extent of required currency. The bank is not involved in foreign currency forward contracts and thus the risk is limited. Refer to 4(a) on exposure to currency risk.



3 RISK MANAGEMENT (CONTINUED)

b) Market risk (continued)

iii) Liquidity risk

The bank is exposed to daily calls on its available cash resources from over night deposits, current accounts, maturing deposits, loans drawn and guarantees, from margin and other calls on cash settlement. The Board has set limit based on their experience of the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facility that should be in place to cover withdrawals at unexpected levels of demand.

4 RISK MANAGEMENT DISCLOSURES

A Foreign exchange risk

	USD TZS '000	GBP TZS '000	EURO TZS '000	INR TZS '000	TOTAL TZS '000
Year ended 31 December 2021					
<u>Foreign currency assets</u>					
Cash	1,934,896	64,122	141,972	-	2,140,990
Bank Balances in current account	12,096,737	36,650	244,888	70,758	12,449,033
Loans and advances	96,679,732	-	-	-	96,679,732
Cheques and item for clearing	(38,149)	-	-	-	(38,149)
Other assets	486,213	188	1,449	-	487,850
Total	111,159,429	100,960	388,309	70,758	111,719,456
<u>Foreign currency liabilities</u>					
Deposits	87,284,414	697,733	1,678	-	87,983,825
Letter of credit	303,328	-	-	-	303,328
Guarantees	79,939	-	-	-	79,939
Other liabilities	22,302,823	4,360	235	-	22,307,418
Total	109,970,504	702,093	1,913	-	110,674,510
Net open long/(short) position	1,188,925	(601,133)	386,396	70,758	1,044,946
Net open long position	1,188,925	-	386,396	70,758	1,646,079
Net open short position	-	(601,133)	-	-	(601,133)
Net open position	1,188,925	601,133	386,396	70,758	1,044,946
Core capital	43,176,795	43,176,795	43,176,795	43,176,795	43,176,795
Maximum allowable exposure (7.5% of core capital)	3,238,260	3,238,260	3,238,260	3,238,260	3,238,260
Over / (under) exposure	(2,049,335)	(2,637,127)	(2,851,864)	(3,167,502)	(2,193,314)
Year ended 31 December 2020					
<u>Foreign currency assets</u>					
Cash	2,023,522	48,003	123,335	-	2,194,860
Bank Balances in current account	18,705,742	278,256	937,885	66,710	19,988,593
Loans and advances	80,668,760	-	-	-	80,668,760
Cheques and item for clearing	38,638	-	-	-	38,638
Other assets	-	268	1,495	-	1,763
Total	101,436,662	326,527	1,062,715	66,710	102,892,614
<u>Foreign currency liabilities</u>					
Deposits	77,348,954	388,299	803,108	-	78,540,361
Letter of credit	229,386	-	12,478	-	241,864
Guarantees	52,273	-	-	-	52,273
Other liabilities	23,209,824	4,352	49,524	-	23,263,700
Total	100,840,437	392,651	865,110	-	102,098,198
Net open long/(short) position	596,225	(66,124)	197,605	66,710	794,416
Net open long position	596,225	-	197,605	66,710	860,540
Net open short position	-	(66,124)	-	-	(66,124)
Net open position	596,225	66,124	197,605	66,710	794,416
Core capital	42,283,612	42,283,612	42,283,612	42,283,612	42,283,612
Maximum allowable exposure (7.5% of core capital)	3,171,271	3,171,271	3,171,271	3,171,271	3,171,271
Over / (under) exposure	(2,575,046)	(3,105,147)	(2,973,666)	(3,104,561)	(2,376,855)



**4 RISK MANAGEMENT DISCLOSURES (CONTINUED)**

B Liquidity risk	(Amount TZS '000)								
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 Years	TOTAL
Year ended 31 December 2021	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Assets									
Cash and balances with BoT and other financial institutions	33,736,277	7,131,640	10,554,858	-	-	-	-	-	51,422,775
Government securities	-	-	6,600,587	4,107,450	904,314	4,700,120	180,978	4,992,888	21,486,337
Loans and advances	11,643,616	13,897,284	66,676,416	7,308,530	5,311,433	14,244,700	25,274,364	2,915,714	147,272,057
Other assets	7,000,512	-	-	-	-	-	-	1,945,011	8,945,523
Total	52,380,405	21,028,924	83,831,861	11,415,980	6,215,747	18,944,820	25,455,342	9,853,614	229,126,692
Liabilities									
Customer deposits	63,037,182	20,487,292	16,334,512	45,159,820	10,005,686	2,089,529	-	-	157,114,021
Deposits from other banks	21,596	21,369,633	-	-	-	-	-	-	21,391,229
Other liabilities	4,374,182	847,309	39,941	-	275,698	-	-	-	5,537,130
Total	67,432,960	42,704,234	16,374,453	45,159,820	10,281,384	2,089,529	-	-	184,042,380
Net liquidity gap	(15,052,555)	(21,675,309)	67,457,408	(33,743,840)	(4,065,637)	16,855,291	25,455,342	9,853,614	45,084,312
Year ended 31 December 2020									
Assets									
Cash and balances with BoT and other financial institutions	30,133,820	12,350,132	10,172,330	55,845	-	-	-	-	52,712,127
Government securities	-	854,000	3,559,635	2,699,958	7,707,515	-	4,368,348	1,090,416	20,279,872
Loans and advances	47,057,092	4,063,976	42,119,110	22,092,973	4,681,242	11,809,217	923,365	-	132,746,975
Other assets	3,670,016	-	-	-	-	-	-	2,263,522	5,933,537
Total	80,860,927	17,268,108	55,851,075	24,848,776	12,388,757	11,809,217	5,291,713	3,353,938	211,672,511
Liabilities									
Customer deposits	49,352,442	24,343,925	16,640,813	39,521,700	10,685,858	71,214	50,405	-	140,666,356
Deposits from other banks	21,117	24,235,031	-	-	-	-	-	-	24,256,148
Other liabilities	3,594,829	-	-	-	-	-	-	-	3,594,829
Total	52,968,388	48,578,956	16,640,813	39,521,700	10,685,858	71,214	50,405	-	168,517,334
Net liquidity gap	27,892,538	(31,310,848)	39,210,263	(14,672,924)	1,702,900	11,738,003	5,241,308	3,353,938	43,155,178





4 RISK MANAGEMENT DISCLOSURES (CONTINUED)

C Interest rate risk

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 Year	Non Interest Bearing	TOTAL
Year ended 31 December 2021	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<u>Assets</u>							
Cash and balances with BoT and other financial institutions	33,484,900	1,097,125	3,392,729	-	-	13,448,021	51,422,775
Government securities	-	-	-	1,781,924	18,202,936	1,501,477	21,486,337
Loans and advances	11,643,616	13,897,284	66,676,416	7,308,530	47,746,211	-	147,272,057
Other assets	-	-	-	-	-	8,945,523	8,945,523
Total	45,128,516	14,994,409	70,069,145	9,090,454	65,949,147	23,895,021	229,126,692
<u>Liabilities</u>							
Customer deposits	59,252,429	22,133,158	17,646,761	48,787,777	7,006,671	2,287,225	157,114,021
Deposits from other banks	21,596	5,284,963	4,595,620	11,489,050	-	-	21,391,229
Other liabilities	-	-	-	-	-	5,537,130	5,537,130
Total	59,274,025	27,418,121	22,242,381	60,276,827	7,006,671	7,824,355	184,042,380
Interest sensitivity gap	(14,145,509)	(12,423,712)	47,826,764	(51,186,373)	58,942,476	16,070,666	45,084,312
Year ended 31 December 2020							
<u>Assets</u>							
Cash and balances with BoT and other financial institutions	29,030,030	1,350,132	5,172,330	-	-	17,159,635	52,712,127
Government securities	-	822,452	2,754,634	3,385,809	11,634,339	1,682,638	20,279,872
Loans and advances	20,820,129	14,063,976	42,119,110	8,092,973	37,413,823	10,236,964	132,746,975
Other assets	-	-	-	-	-	5,933,537	5,933,537
Total	49,850,159	16,236,560	50,046,074	11,478,782	49,048,162	35,012,774	211,672,511
<u>Liabilities</u>							
Customer deposits	66,517,116	44,343,925	16,640,813	9,521,700	807,477	2,835,326	140,666,356
Deposits from other banks	21,117	1,250,484	11,492,273	11,492,274	-	-	24,256,148
Other liabilities	-	-	-	-	-	3,594,829	3,594,829
Total	66,538,233	45,594,409	28,133,086	21,013,974	807,477	6,430,155	168,517,333
Interest sensitivity gap	(16,688,074)	(29,357,849)	21,912,988	(9,535,192)	48,240,685	28,582,619	43,155,178



4 RISK MANAGEMENT DISCLOSURES (CONTINUED)**D Sensitivity analysis****i) Interest rate risk sensitivity analysis**

The impact on the profit after tax arising on a 5% increase or decrease in interest rates would be as follows:

	2021	2020
	TZS '000	TZS '000
+ 5% movement	1,015,478	510,040
- 5% movement	<u>(1,015,478)</u>	<u>(510,040)</u>

ii) Foreign exchange risk sensitivity analysis

The impact on the profit after tax arising on a 5% fluctuation in the bank's major operating currencies would be as follows:

	2021			2020		
	USD	GBP	EURO	USD	GBP	EURO
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
+ 5% movement	41,612	(2,103,966)	13,524	20,868	(2,314)	6,916
- 5% movement	<u>(41,612)</u>	<u>2,103,966</u>	<u>(13,524)</u>	<u>(20,868)</u>	<u>2,314</u>	<u>(6,916)</u>

5 CAPITAL MANAGEMENT

The bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position are:

- To comply with the capital requirement set by the regulator;
- To safeguard the bank's ability to continue as going concern so that it can continue to provide returns to share holders and benefits to other stake holders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the bank's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Tanzania (BoT), for supervision purposes. The required information is filed with the BoT on a quarterly basis.

The BoT requires each bank to:

- i) Hold a minimum level of core capital of TZS 15 billion;
- ii) Maintain a ratio of core capital to the risk-weighted assets plus risk weighted off-balance sheet at or above the required minimum of 12.5%; and
- iii) Maintain total capital of not less than 14.5% or risk weighted assets plus risk-weighted off balances sheet items.

The bank's regulatory capital as managed by its management is divided into two tiers:

Tier 1 capital: - Share capital, retained earnings and reserves created by appropriation of retained earnings. Prepaid expenses and deferred charges are deducted in arriving at Tier 1 Capital.

Tier 2 capital: - Qualifying subordinate loan capital, collective impairment allowances and unrealized gains arising on the fair valuation of equity instruments held as available for sale.

The risk-weighted assets are ensured by means of a hierarchy of five risk weights classified according to the nature and reflecting an estimate of credit, market and other risk associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.



5 CAPITAL MANAGEMENT (CONTINUED)

The table that follows summarizes the composition of regulatory capital and the ratios of the bank for the year ending on 31 December 2021.

	2021 TZS '000	2020 TZS '000
Paid up ordinary share capital	10,000,000	10,000,000
Retained earnings	31,875,824	28,607,318
Qualifying period profits	2,084,457	3,626,990
Sub Total (A)	43,960,281	42,234,308
Deferred tax assets	203,519	481,134
Pre-paid Expenses	359,204	390,431
Sub Total (B)	562,723	871,565
TIER I CAPITAL (A - B)	43,397,558	41,362,743
TIER II CAPITAL		
Revaluation Reserves	111,930	111,930
General provision on standard assets	-	-
	111,930	111,930
TOTAL REGULATORY CAPITAL	43,509,488	41,474,673
RISK WEIGHTED ASSETS		
On balance sheet (Form 16-1-S15(i))	142,670,625	130,076,536
Off balance sheet (Form 16-1-S15(ii))	21,246,509	10,544,976
Market Risk (100/12 of Form 16-1-S15(iii))	1,259,683	449,996
Operational risk position (Form 16 16-1-15(vi))	9,564,068	9,564,630
TOTAL RISK WEIGHTED ASSETS	174,740,885	150,636,138
	Requirement as per BOT	Actual on 31 December
Year ended 31 December 2021		
Ratio of core capital (Tier 1) to total risk weighted assets	12.5%	24.84%
Ratio of total capital (Tier 1 plus Tier II) to total risk weighted assets	14.5%	24.90%
Year ended 31 December 2020		
Ratio of core capital (Tier 1) to total risk weighted assets	12.5%	27.46%
Ratio of total capital (Tier 1 plus Tier II) to total risk weighted assets	14.5%	27.53%



	31-Dec-21	31-Dec-20
6 INTEREST INCOME	TZS '000	TZS '000
Interest on loans and advances	11,780,541	11,432,313
Interest on government securities	2,129,142	2,506,926
Interest on deposits and bank balances	1,640,455	1,226,559
Ho Interest Earned	14,384	-
	<u>15,564,522</u>	<u>15,165,798</u>
7 INTEREST EXPENSE		
Interest on Other Banks Deposits	278,046	255,680
Interest on other - non bank deposits	37,452	47,387
Interest on saving account deposits	242,460	241,946
Interest on term deposit accounts *	5,503,094	4,772,049
Interest on others	14,385	-
	<u>6,075,437</u>	<u>5,317,061</u>
* Interest on interbank deposits amounting to TZS278,046,000 (2020: 255,680,000) has been included with interest paid on term deposits.		
8 FEES & COMMISSION		
Fees	100,403	177,525
Commissions	1,155,845	824,512
	<u>1,256,248</u>	<u>1,002,036</u>
(a) Foreign exchange gain	498,597	429,805
	<u>498,597</u>	<u>429,805</u>
OTHER INCOME		
(b) Swift Charges (Income)	46,569	46,186
Others(Recoveries)	46,990	12,912
Others(Recoveries)	93,559	59,098
	<u>1,848,404</u>	<u>1,490,940</u>
9 OPERATING EXPENSES		
Commission expense	14,863	32,357
Employment cost	2,746,239	2,269,253
Of which Salaries	2,022,831	1,640,262
Post Employment Benefits	240,670	191,502
Other staff benefits	445,159	419,685
Staff training and recruitment	37,579	17,803
Rental expenses on premises and equipment	(8,102)	2,215
Rates and taxes	490,149	373,961
Lighting	138,225	142,325
Printing and stationery	44,150	59,711
Advertisement	87,618	52,632
Donations	95,000	20,420
Depreciation (Note 17)	379,408	232,231
Depreciation On Right of Use Asset	563,160	609,753
Interest on Lease Liability	11,286	69,793
Postages, telephones and swift charges	36,708	40,459
Repairs and maintenance	400,626	311,612
Insurance	332,229	213,583
Entertainment expenses	55,802	43,999
Directors' fees	46,535	40,177
Auditors remuneration	40,809	53,574
Legal fees	-	905
Sundry charges	81,530	73,058
Computer and software expenses	133,567	100,380
Management fees	304,735	390,831
Consultancy fees	48,576	22,109
Amortisation Of Premium On Htm	549	128
Penal Provision utilized	50,000	21,877
Fraud Written Off	-	51,085
	<u>6,093,661</u>	<u>5,228,427</u>
10 PROVISION FOR BAD DEBTS		
Provision / (Recovery) for Bad and Doubtful Debts	666,489	895,730
	<u>666,489</u>	<u>895,730</u>
BAD DEBTS WRITTEN OFF		
Bad debts written off	894,744	33,695
	<u>894,744</u>	<u>33,695</u>



	31-Dec-21	31-Dec-20
	TZS '000	TZS '000
11 TAX EXPENSE		
Current income tax	1,305,497	1,697,168
Prior year tax	15,026	
Deferred income tax	277,615	(142,334)
	<u>1,598,138</u>	<u>1,554,834</u>
Additional Tax-prior period taxes assessed	-	-
Current Period Tax	<u>1,598,138</u>	<u>1,554,834</u>
The tax on the company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:		
Profit before income tax	<u>3,682,595</u>	<u>5,181,824</u>
Tax calculated at the statutory tax rate of 30%	1,104,778	1,554,547
Tax effect of:		
Undercharge of prior period corporate tax	15,026	-
Expenses not deductible for tax purposes	541,359	548,852
Allowable expenses for Tax Purposes	(340,640)	(406,231)
Deductible temporary difference	<u>277,615</u>	<u>(142,334)</u>
Income tax expense	<u>1,598,138</u>	<u>1,554,834</u>
12 CASH AND BALANCES WITH BANK OF TANZANIA		
Cash balances	3,675,929	3,545,227
Balances with Bank of Tanzania		
-Restricted balances (Statutory Minimum Reserve)	9,772,092	9,012,869
-Unrestricted balances	<u>1,671,182</u>	<u>5,171,238</u>
	<u>15,119,203</u>	<u>17,729,334</u>
The Statutory Minimum Reserve is non-interest bearing and is based on the value of customer deposits adjusted in accordance with Bank of Tanzania requirements. As at 31st December 2021 the Statutory Minimum Reserve requirement was 6% of the Non-Government average deposit and 20% of the central government average deposits. These funds are not available to finance the bank's day to day operations.		
13 DEPOSIT AND BALANCES DUE FROM BANKING INSTITUTIONS	31-Dec-21	31-Dec-20
	TZS '000	TZS '000
Nostro accounts	4,399,668	6,449,736
Balances with other banks in Tanzania	31,952,992	28,672,893
Interest Receivable on Placements	96,128	57,090
	<u>36,448,788</u>	<u>35,179,718</u>
Less: Provision for Impairment	<u>(145,216)</u>	<u>(196,925)</u>
	<u>36,303,572</u>	<u>34,982,793</u>
Balances with original maturity of not exceeding 90 days	32,070,813	30,750,033
Balances with original maturity of above 90 days	4,232,760	4,232,760
	<u>36,303,572</u>	<u>34,982,793</u>
14 GOVERNMENT SECURITIES		
Treasury bills	564,780	3,411,840
Treasury bonds	19,420,080	15,185,394
Unearned discount on treasury bonds	717,438	823,424
Interest receivables on treasury bonds	657,830	543,661
Interest receivables on treasury bills	126,210	315,554
	<u>21,486,337</u>	<u>20,279,872</u>
Less: Provision for Impairment	<u>(46)</u>	<u>-</u>
	<u>21,486,291</u>	<u>20,279,872</u>
Treasury bills and bonds		
Original maturing within 3 months from the date of acquisition	-	-
Original maturing after 3 months from the date of acquisition	<u>21,486,291</u>	<u>20,279,872</u>
	<u>21,486,291</u>	<u>20,279,872</u>





	31-Dec-21 TZS '000	31-Dec-20 TZS '000
15 CASH AND CASH EQUIVALENTS		
For the purpose of cash flow statement, cash and cash equivalent comprise of the following:		
Cash and balances with Bank of Tanzania excluding SMR (Note 11)	5,347,111	8,716,465
Deposits and balances due from banking institutions (Note 12)	32,070,813	30,750,033
Government securities with original Maturity within three Months (Note 13)	-	
Unearned Discount receivable within three months	-	
	37,417,924	39,466,499
16 LOANS AND ADVANCES TO CUSTOMERS		
Corporate loans	125,674,052	114,985,370
Personal loans	20,453,273	17,746,749
Personal loan to staff	912,692	657,746
Staff housing loan	156,980	-
Total loans and advances	147,196,997	133,389,865
Accrued interest on loans & advances	1,102,582	1,082,050
Gross loans and advances	148,299,579	134,471,915
Less:		
Provision for impairment on loans and advances	(612,570)	(1,492,026)
Interest in suspense	(414,953)	(232,915)
Net loans and advances to customers	147,272,057	132,746,975
17 CURRENT TAX ASSET		
Tax Paid In Advance	4,155,104	1,911,340
	4,155,104	1,911,340





NOTES (CONTINUED)

21 PROPERTY AND EQUIPMENT

	Computer TZS '000	Vehicles TZS '000	Furniture and Fittings TZS '000	Leasehold improvements TZS '000	Office equipments TZS '000	Total TZS '000
At the beginning (01/01/2020)	193,157	64,900	686,653	452,136	87,200	1,484,046
Additions	27,185	-	1,119,815	-	-	1,147,000
Disposals/write off	-	18,500	-	-	-	18,500
At 31st December 2020	220,341	46,400	1,806,469	452,136	87,200	2,612,546
At the beginning (01/01/2021)	220,341	46,400	1,806,469	452,136	87,200	2,612,546
Additions	41,908	2,500	12,442	4,044	-	60,894
Disposals/write off	-	-	-	-	-	-
At 31st December 2021	262,249	48,900	1,818,911	456,180	87,200	2,673,440

DEPRECIATION

(Rate of Depreciation %) (Method of Depreciation %)	SLM	SLM	Reducing	Reducing	Reducing	Total
At the beginning (01/01/2021)	118,991	27,087	129,692	56,768	16,487	349,025
Depreciation for the period	97,942	12,971	199,164	61,060	8,268	379,404
Adjustment (Charge on Disposal)	-	-	-	-	-	-
At 31st December 2021	216,933	40,058	328,856	117,828	24,755	728,429

NET BOOK VALUE

At 31st December 2020	101,350	19,313	1,676,777	395,368	70,713	2,263,522
At 31st December 2021	45,316	8,842	1,490,055	338,352	62,445	1,945,011



	31-Dec-21	31-Dec-20
	TZS '000	TZS '000
18 OTHER ASSETS		
Suspense accounts - general	66,386	58,780
Prepaid expenses	359,204	390,431
Others	579,219	213,512
	<u>1,004,809</u>	<u>662,723</u>
19 RIGHT OF USE ASSET		
As at 1st January	614,819	994,055
NHC Lease	-	240,721.34
Accumulated Depreciation added back	-	(10,204.52)
Depreciation expense	(563,160)	(609,753)
Skyway lease	1,585,422	
As at 31st December	<u>1,637,081</u>	<u>614,819</u>
20 LEASE LIABILITY		
As at 1st January	595,953	1,032,402
NHC Lease	-	240,721
Change as per reduction in cashflow	-	(20,210)
Accrued interest	-	(78,660)
Payment towards lease liability	(653,772)	(578,299)
Skyway lease	1,585,422	-
Accrued Interest	11,286	-
	<u>1,538,888</u>	<u>595,953</u>



31-Dec-21

31-Dec-20

26 RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if the party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the normal course of business, a number of banking transactions are entered into with related parties i.e. key management personnel and directors. These includes deposits and loans and advances.

The volume of related party transactions for the year and the outstanding amounts at the year-end were as follows:

26.1 Loans and advances

There were no loans and advances to related parties other than key management team during the year 2021 (2020: Nil). There were no deposits from companies controlled by Directors, shareholders or their families (2020: Nil).

a) Loans and advances to key management team

	TZS '000	TZS '000
At 1 January	235,852	119,279
Advanced during the year	649,656	195,800
Repayment during the year	-359,017	-79,227
At 31 December	<u>526,491</u>	<u>235,852</u>

There were no loans and advances to related parties other than key management team during the year 2021 (2020: Nil). There were no deposits from companies controlled by Directors, shareholders or their families (2020: Nil).

26.2 Deposits

There were no loans and advances to related parties other than key management team during the year 2021 (2020: Nil). There were no deposits from companies controlled by Directors, shareholders or their families (2020: Nil).

b) Deposits to Key management personnel

	TZS '000	TZS '000
At 1 January	21,307	75,375
Advanced during the year	1,226,052	1,144,368
Repayment during the year	-1,134,892	-1,198,436
At 31 December	<u>112,467</u>	<u>21,307</u>

The above deposits are unsecured; carry variable interest rates and are repayable on demand. The deposits in current accounts do not earn interest whilst those in savings accounts earn interest at the rate of 2% per annum. These transactions are carried out at arm's length. There were no deposits from companies controlled by Directors or their families (2020: Nil).

26.3 Key management compensation

	TZS '000	TZS '000
Salaries and allowances (short term employee benefits)	1,226,052	938,767
Other long-term benefits (post-employment benefits)	122,605	93,877
	<u>1,348,657</u>	<u>1,032,644</u>

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank directly or indirectly. The bank's key management is the Managing Director and Deputy Managing Director and heads of departments. Compensations of the Bank's key management personnel include basic salaries, transport allowances, housing allowance, telephone allowance and post-employment benefits.

27 EVENTS AFTER REPORTING PERIOD

There were no other events after the reporting period which require adjustment or disclosure in the financial statements.

28 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of Bank of Baroda (Tanzania) Limited, a subsidiary of Bank of Baroda-India, are measured using the currency of primary economic environment in which the bank operates (the functional currency). The financial statements are presented in Tanzanian Shillings (TZS), which is the subsidiary's presentation and functional currency. For group reporting however, the presentation currency is Indian Rupees (INR) while the functional currency remains the Tanzanian Shilling (TZS).

29 CONTINGENT LIABILITIES AND COMMITMENTS

	TZS '000	TZS '000
Letter of Credits	3,061,217	2,458,339
Guarantees	14,534,645	7,343,869
Undrawn balances	7,642,393	2,287,750
	<u>25,238,255</u>	<u>12,089,958</u>

Letters of credit, guarantees, acceptances and undrawn amounts of unexpired overdraft lines and term loans are accounted for as off balance sheet transactions and hence disclosed as contingent liabilities.

30 SHARE CAPITAL

30.1 Regulatory Capital

Authorized share capital: 25,000,000 shares of TZS 1,000 each

	TZS '000	TZS '000
Authorized share capital: 25,000,000 shares of TZS 1,000 each	25,000,000	25,000,000
	<u>25,000,000</u>	<u>25,000,000</u>

30.2 Issued Capital

Issued and fully paid-up share Capital 10,000,000 shares of TZS 1,000 each

Issued and fully paid-up share Capital 10,000,000 shares of TZS 1,000 each	10,000,000	10,000,000
	<u>10,000,000</u>	<u>10,000,000</u>

30.3 Shareholders of the Bank

Bank of Baroda-India
Suresh Gajjar

	Ordinary shares	Ordinary shares
Bank of Baroda-India	9,999,999	9,999,999
Suresh Gajjar	1	1
	<u>10,000,000</u>	<u>10,000,000</u>



	31-Dec-21	31-Dec-20
	TZS '000	TZS '000
22 CUSTOMER DEPOSITS		
Term deposits, current and savings account plus accrued interest	156,989,090	140,539,707
Current Accounts	24,207,903	24,012,837
Saving Accounts	25,873,529	27,409,829
Term Deposit Accounts	103,989,533	86,678,941
Special scheme savings account	124,931	126,651
Provision for interest on deposits	2,918,126	2,438,100
	<u>157,114,021</u>	<u>140,666,357</u>
DEPOSIT AND BALANCES DUE TO BANKING INSTITUTIONS		
Current Account	21,596	21,599
Fixed Deposit	21,369,633	24,234,549
	<u>21,391,229</u>	<u>24,256,148</u>
TOTAL DEPOSITS	<u>178,505,251</u>	<u>164,922,505</u>
23 OTHER LIABILITIES		
Bills payable	95,632	74,182
Unexpired Discount On Treasury	677	-
Withholding tax payable	42,495	45,853
Other payables	789,483	1,780,941
Inter Branch Accounts - Credit	187,845	21,994
	<u>1,116,133</u>	<u>1,922,970</u>
24 DEFERRED INCOME TAX		
Deferred income tax is calculated using the enacted tax rate of 30% (2020: 30%). The movement on the deferred income tax account is as follows:		
At 1 January	(481,134)	(338,800)
Credit to statement of comprehensive income (Note 10)	277,615	(142,334)
At 31 December	<u>(203,519)</u>	<u>(481,134)</u>
Net deferred tax asset	(156,038)	187,304
25 TAX LIABILITIES		
Current Tax - Liability		
Income Tax Payable	2,882,108	1,075,906
	<u>2,882,108</u>	<u>1,075,906</u>



	31-Dec-21	31-Dec-20
31 EARNINGS PER SHARE		
Earnings per share are calculated by dividing the profit attributed to the shareholders of the subsidiary by the number of ordinary shares outstanding as at close of the year.		
	TZS '000	TZS '000
Earnings before taxation	3,682,595	5,181,825
Tax expense for the year	(1,598,138)	(1,554,834)
Profit attributable to shareholders	<u>2,084,457</u>	<u>3,626,990</u>
Number of shares	<u>10,000,000</u>	<u>10,000,000</u>
Basic earning per share	<u>0.208</u>	<u>0.363</u>

There were no potentially dilutive ordinary shares outstanding as at 31 December 2021 (2020: Nil). Diluted earnings per share is the same as basic earnings per share.

	31-Dec-21	31-Dec-20
32 CONTINGENT ASSETS		
The bank maintain assets in respect of expenses incurred on ongoing cases in the court of law on cases filed towards asset recovery the recovery of which is subject to case determination in favour of the Bank. The outstanding balances of the contingent assets as at the end of the accounting period is as under:		
	TZS '000	TZS '000
At 1 January	528,812	528,812
Payment during the period	142,419	
Recovery during the period	-	-
At 31 December	<u><u>671,231</u></u>	<u><u>528,812</u></u>

