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BANK OF BARODA (TANZANIA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

CORPORATE INFORMATION

REGISTERED CORPORATE OFFICE

Plot No. 149/32	255 22 2124472	General Line
Ohio / Sokoine Drive	255 22 2124487	General Line
P. O. Box 5356	255 22 2124486	Managing Director
Dar es Salaam	255 22 2110056	Dy Managing Director
Tanzania.	Email. bobdar@bankofbaroda.com	

BRANCHES

Bank of Baroda (T) Ltd; Dar Es Salaam Branch
Plot No 149/32, Ohio/Sokoine Drive
P. O. Box 5356,
Dar Es Salaam

Bank of Baroda (T) Ltd; Arusha Branch
Plot 12, Block E, Goliondoni Road,
P. O. Box 3152,
Arusha

Bank of Baroda (T) Ltd; Kariakoo Branch
Plot No. 8 Block 13, Msimbazi & Mafia Street,
P. O. Box 5610,
Dar es Salaam.

Bank of Baroda (T) Ltd Mwanza Branch
Plot No. 153, Block T, Kenyatta Road,
Mwanza

PARENT BANK CORPORATE OFFICE

Bank of Baroda.
Mumbai
India.

1.0 INTRODUCTION

We have great pleasure in presenting the Banks Fifteenth Annual Report along with the Audited financial statements for the year ended 31st December 2020 which disclose the state of affairs of Bank of Baroda (Tanzania) Limited.

1.1 Incorporation

Bank of Baroda (Tanzania) Ltd. was registered under the Companies Act 2002 on 4th December, 2003. The license to conduct banking business was granted to our Bank on 7th October 2004 by Bank of Tanzania in accordance with the provisions of section 7 of the Banking and Financial Institutions Act 2006. However, actual Banking operations started on 13th October, 2004 with opening of Dar es Salaam Branch. We subsequently opened our second Branch at Arusha during the centenary year on 10th August, 2007. The Bank further opened the third and fourth branch at Kariakoo and Mwanza on 11th June, 2013 and 21st July, 2014 respectively.

1.2 The Bank in History

Bank of Baroda (Tanzania) Ltd is a wholly owned subsidiary of Bank of Baroda, India. Bank of Baroda , a leading nationalized bank in India is an International bank, one among 500 banks of the world, has re-entered Tanzania with its first branch in Dar es salaam from 13th October 2004. Bank of Baroda was established in the princely State of Baroda in India on 20th July 1908. The major stakeholders are Government of India.

Bank of Baroda has created a good image among existing 36 Million clients spread in all Times Zones of the world encompassing 27 countries with more than 5,000 branches with CBS Network. The Bank has adopted a new logo with rising sun. The five rays represent five continents of the world. The sun never sets on Bank of Baroda as our presence is in all time zones of the world.

Bank of Baroda is having presence in nine countries in the African Continent which are Tanzania, Uganda, Kenya, Botswana, Zambia, South Africa, Ghana, Mauritius and Seychelles. The Bank entered Tanganyika way back in1956 and remained till nationalization of financial institutions up to February 1967. The Bank had three branches in Dar es Salaam, Mwanza and Moshi at the time of nationalization under Arusha Declaration. The bank has come back to play its role in the economic development of the country and wellbeing of the people of the united republic of Tanzania in 2004.

1.3 Vision and 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.

1.4 Corporate values

The Bank is determined to create an unwavering guide through the path to growth, integrity and passion.

1.5 Principal Activities

The principal activity of the Bank is to provide banking and related services stipulated by the Banking and Financial Institutions Act 2006. There have been no changes in the principal activities of the Bank during the financial year ended 31st December, 2020.

1.6 Results and Dividends

The net profit for the year of TZS 3,627M (2019: TZS 1,103 M) has been added to retained earnings. The directors recommend the approval of dividend of TZS 314.50 M (2019: TZS 110.30 M) at the rate @TZS 31.45 per share for the year 2020 (FY 2019 – TZS 11.03).

2.0 ECONOMIC ENVIRONMENT

2.1 Domestic Economy:

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 Tanzanian.

During the year under review, the economy has been significantly challenged by the ongoing pandemic especially on the sectors reliant on global demand. Inflation has been low and stable but Gross Domestic Product (GDP) has declined to 4.5 percent during the third quarter. The inflation outturn was below the country target of 5 percent, and was in line with the EAC and SADC convergence benchmarks. Inflation in the EAC averaged 5.8 percent and in SADC was 5.4 percent.

2.2 Money Supply

The Bank maintained accommodative monetary policy conditions geared towards cushioning the economy from the adverse impact of COVID-19 pandemic and supporting growth of credit to the private sector. Extended broad money supply (M3) grew at annual rate of 6.5 percent in September 2020 to TZS 29,429.2 billion. Credit to the private sector grew by 5.2 percent 2020 compared to 9.3 percent in the corresponding period in 2019. Consistent with the monetary policy stance, interest rates charged on banks loans and deposits eased during the period.

2.3 Balance of Payment

The overall balance of payments recorded a deficit of USD 228.4 million compared to a surplus of USD 948.0 million registered in the corresponding quarter in 2019, due to relatively low official flows. Gross official reserves amounted to USD 4,939.6 million at the end of September 2020, covering about 5.8 months of projected imports of goods and services. The import cover was in line with the country benchmark of not less than 4 months, and of at least 4.5 for EAC.

3.0 FINANCIAL SECTOR REVIEW

3.1 Banking sector in Tanzania:

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. In quarter ending 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. In quarter ending 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.

3.2 Currency Depreciation

The shilling remained fairly stable trading at an average rate of TZS 2,309.04 per US dollar compared with TZS 2,303.43 per US dollar registered in the preceding quarter, and TZS 2,300.56 per US dollar in September 2019, representing an annual depreciation of 0.37 percent.

3.3 Banking Sector Development

Credit by the banking system recorded an annual growth of 17.8 percent, compared to 7.1 percent in December 2019 and 20.0 percent in November 2020. Credit extended to the central government through purchase of government securities grew by 48.7 percent, a decrease from 49.6 percent in the preceding month. Private sector credit maintained a positive growth rate, increasing by TZS 596.0 billion, equivalent to an annual growth of 3.0 percent, compared to 5.2 percent registered in November 2020. The subdued growth of credit to the private sector was partly attributable to the adverse impact of COVID-19 on some businesses.

The decomposition of credit by economic activities shows that during the year ending December 2020, growth was more evident in personal activities (largely micro, small and medium enterprises), transport and communication, and mining and quarrying whose credit growth recovered from a slump that was sustained from February 2020. Meanwhile, personal activities continued to account for the largest share of the total outstanding credit, followed by trade and manufacturing activities accounting for 34.3 percent, 15.4 percent and 8.7 percent, respectively

3.4 Interest Rates

In December 2020, banks' interest rates on loans and deposits declined, albeit at a sluggish pace. Overall- and one-year lending interest rates averaged at 16.74 percent and 15.72 percent, decreasing from 16.76 percent and 16.28 percent recorded in December 2019, respectively. Meanwhile, overall- and one-year time deposits rates averaged 7.09 percent and 8.41 percent, compared to 6.79 percent and 8.90 percent in the corresponding period in 2019, respectively.

Accordingly, the spread between one-year lending and deposit interest rates narrowed to 7.31 percentage points from 7.38 percentage points, registered in December 2019. The narrowing in spread reflects a gradual decline in cost of funds to both customers and banks.

4.0 BANK'S PERFORMANCE DURING 2020

4.1 Highlight of the Performance

The performance highlight of last six years, since 2015, shows that there has been consistent growth in all business parameters, as under:

4.1.1 Key Business Figures

(Amt in Tzs '000)

Particulars	31.12.15	31.12.16	31.12.17	31.12.18	31.12.19	31.12.20
Customer Deposits	141,918	123,031	125,592	132,158	149,688	140,666
Advances	53,745	54,867	86,008	98,573	113,652	132,747
Business Mix	195,662	177,898	211,600	230,731	263,340	273,413
Total Asset	190,445	159,995	168,369	173,578	196,053	211,692
Net Interest income	7,098	7,939	9,331	8,906	9,968	9,849
Interest Expense	4,476	4,703	4,845	4,676	4,842	5,317
Net Interest Income	7,098	7,939	9,331	8,906	9,968	9,849
Non-Interest Income	2,656	2,229	1,959	1,931	1,906	1,443
Total Income	9,754	10,220	11,290	10,837	11,875	11,294
Operating Expenses	4,390	5,397	5,647	5,062	5,638	5,186
Operating Profit	5,364	4,823	5,644	5,775	6,236	6,107
Net Profit/(Loss)	3,302	2,672	2,836	2,147	1,103	3,637
Gross NPA	2,541	4,452	9,376	6,567	2,495	2,943
Net NPA	1,868	3,199	6,469	4,169	1,401	827

- **DEPOSIT**

Bank provides all Banking services which includes accepting deposits in local currency and foreign currency mainly in USD. The type of deposits is Saving Bank, Current Account, Call Deposits, Recurring Deposits and Fixed Deposits. Aggregate Deposit has increased to TZS 164.92 Billion from TZS 155.54 Billion. Customer Deposit as at 31st December 2020 stood at TZS 140.67 Billion down from 149.69 Billion as at 31st December 2019 of which TZS 51.57 Billion (31.27%), (2019: TZS 59.66 Billion (39.86%)) was low cost deposits. Average cost of deposit stood at 3.66% p.a. up from 3.11% in FY 2019. Out of total deposits, 64.14% (2019: 55%) was in foreign currency and 35.86% (2019: 45%) 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 31.12.2020, the Gross Advance stood at TZS 134.53 Billion against TZS 114.56 Billion as on 31.12.2019. The Y-o-Y growth was 17.43% (2019: 18.27%) against negative 1.97% growth in the industry. Out of total advances 63.97% (2019: 49.70%) was in US Dollar currency and 36.3% (2019: 50.30%) in Tanzanian Shilling. Yield on advances stood at 10.14% p.a. down from 10.68% p.a. in FY 2019. The performing assets stood at 97.81 percent of gross advances. The Gross NPA decreased to 2.19% in 2020 from 1.73%

in 2019 mainly due to recoveries from 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% and net NPA level below 2.50%.

❖ **REMITTANCES**

Bank Provides active remittance services inside the country and overseas. For prompt remittance service, Bank is using e-corporate remittance service of Bank of Baroda which gives instant credit to Bank of Baroda customers' accounts in India. During the year, the INR remittance to India exceeded INR 62.91 Billion. The Bank has also canvassed FCNR/NRE 11 A/Cs for the domestic branches of the parent Bank.

4.1.2 Key Ratios

Particulars	2015 %	2016 %	2017 %	2018 %	2019 %	2020 %
Deposit growth	13.29	-13.31	2.08	5.23	13.27	-6.03
Credit growth	30.85	2.09	56.76	14.61	17.63	14.48
Growth in Income	25.59	4.78	10.48	-4.02	9.58	-4.70
Growth in Operating Expenditure	13.88	22.94	4.63	-10.36	11.39	-8.11
Growth in Profit before Tax	-13.00	-0.21	27.99	-17.05	-50.36	198.27
Net Profit growth	24.37	-19.08	6.14	-24.29	-48.64	32.22
Return on Equity	11.00	9.78	7.64	6.50	2.81	8.38
Return on Asset	1.73	2.05	1.69	0.82	0.59	1.70
Cost to Income	45.01	52.81	50.01	46.71	47.49	45.93
Gross NPA%	4.67	7.93	10.55	10.84	2.18	2.19
Net NPA%	3.30	5.81	7.52	8.40	1.22	0.77

4.2 Variance Analysis

We are pleased to analyses the significant variances in the trend for the period under review as compared to the performance of the Bank for the financial year ended 31st December, 2020.

4.3 Bank's performance vis-a –vis Industry

During the last fifteen years of operations, the Bank could establish its business at sizable level. In the financial year 2020, 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. The Cost to Income was low at 27.54%. Due to adverse market scenario, the Gross NPA of the Bank decreased to 2.19% from 2.18% in 2019 lower than the industry minimum requirement. The Bank has already initiated steps to focus on NPA recovery so that the Gross NPA level can be brought down to below the maximum requirement of 5% in FY 2020. The performance comparison of our bank with the industry was as under:

5.0 CAPITAL

In order to support the business expansion and capital expenditure plan, the parent bank, Bank of Baroda, during FY 2004 infused additional capital of TZS 6.50 Billion in our Bank bringing the capital to TZS 10 Billion. The bank has retained all of the profit made since inception for the business expansion, as a result, as on 31.12.2020, the Paid Up Capital was TZS 10.00 Billion while the total shareholders fund was TZS 43.05 Billion(39.40 Billion 2019). Apart from business expansion, the capital has been utilized for complying with regulatory directives of setting up of Primary Data Centre in Tanzania. The Core Capital stood at TZS 41.4 Billion (31.12.2019 – TZS 33.11 B) against the Regulatory requirement of TZS 15 Billion.

5.1 Capital Adequacy and Solvency

Our Bank continued to remain adequately solvent and compliant with regulatory capital adequacy requirements. As on 31.12.2020, Total Capital Adequacy Ratio was 26.49 percent (2019: 26.90 percent) and Core Capital Adequacy Ratio was 26.37 percent (2019: 25.90 percent) against the regulatory level of 14.50% and 12.50% respectively (including Capital Conservation Buffer of 2.50%). Liquidity Ratio at 30.41% was well above regulatory level of 20%.

6.0 CORPORATE GOVERNANCE

Directors are committed to the principles of good corporate governance and recognize the need to conduct the Banking business with best practices. Therefore Directors confirm that:

- The Board of Directors conducted the meeting regularly in the year 2020.
- The position of the Chairman and Managing Director are held by different persons.
- They have effective control over the company and its executive management.
- Board exercises the responsibility for policy decisions, budgeting & monitoring performance.

Bank of Baroda (Tanzania) Limited consists of seven (7) Directors with exception of the Managing Director and the Deputy Managing Director, no other directors hold executive positions in the bank.

Seven of the board directors are non-executives while five of them are Independent Directors. The board is responsible for safe custody and investment of depositors' funds. Consequently, the board commits 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. The 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.

6.1 Board of Directors

The names of Directors of Board of Bank of Baroda (Tanzania) Ltd in Financial Year 2020 are as under:

Sr. No.	Name of Director	Nationality	Position	Appointment	Status
1.	Mr. Shanthi Lal Jain	Indian	Chairman	W,e.f 05.09.2019	Continuing
2.	Mr. D. Ananda Kumar	Indian	Director	W.e.f 20.02.2019	Continuing
3.	Dr. Proches M.K. Ngatuni	Tanzania	Director	W.e.f 30.11.2015	Continuing
4.	Dr. Imanueli D. Mnzava	Tanzania	Director	W.e.f. 26.10.2017	Continuing
5.	Dr. Emmanuel Sadiki	Tanzania	Director	W.e.f. 04.08.2018	Continuing
6.	Dr. Saganga M. Kapaya	Tanzania	Director	W.e.f. 02.06.2018	Continuing
7.	Dr. Bupe J. Mwakyusa	Tanzania	Director	W.e.f. 02.06.2018	Continuing

8.	Mr. Rajendra S. Mohrir	Indian	Managing Director	W.e.f. 06.12.2017	Continuing
9.	Mr. Murali K. Krishna	Indian	Dy. Managing Director	W.e.f. 26.10.2017	Resigned

6.2 Board Committees

The following Board Committees were reconstituted during 2020. 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.

S/n	Name of director	Position	Board Audit Committee	Board Credit Committee	Board Risk Committee
1	Mr. Shanthi Lal Jain	Chairman	N	N	N
2	Mr. D. Ananda Kumar	Member	N	Y	Y
3	Dr. Proches M.K. Ngatuni	Member	Y	Y	Y
4	Dr. Imanueli D. Mnzava	Member	N	Y	Y
5	Dr. Emmanuel Sadiki	Member	Y	N	N
	Dr. Saganga M. Kapaya	Member	Y	N	N
	Dr. Bupe J. Mwakyusa	Member	Y	N	Y
	Mr. Rajendra S. Mohrir	Managing Director	I	I	I
6	Mr. Murali K. Krishna	Dy Managing Director	I	I	I

The Board of Directors meetings were held as per guidelines of regulator during 2020 on 19.06.2020, 24.07.2020, 28.09.2020 and 07.12.2020.

6.2.1 Attendance of Board and Committees meetings

During the period, the Board of Bank of Baroda (Tanzania) Limited had 4 board meetings, 4 audit committee meetings, 4 credit committee meetings and 4 risk committee meetings. The attendance to these board and committee meetings by the directors in 2020 is tabulated below:

S/n	Name of Director	Position	Board Meeting	Board Audit Committee	Board Credit Committee	Board Risk Committee
1	Mr. Shanthi Lal Jain	Chairman	3	N/A	N/A	N/A
2	Mr. D. Ananda Kumar	Member	3	N/A	4	4
3	Dr. Proches M.K. Ngatuni	Member	4	4	N/A	N/A

4	Dr. Imanueli D. Mnzava	Member	4	N/A	4	4
5	Dr. Emmanuel Sadiki	Member	4	4	N/A	N/A
6	Dr. Saganga M. Kapaya	Member	4	4	N/A	N/A
7	Dr. Bupe J. Mwakyusa	Member	4	N/A	4	4
8	Mr. Rajendra S. Mohrir	Managing Director	4	2	4	4
9	Mr. Murali K. Krishna	Dy Managing Director	-	2	-	-

The Board is supported by the following committees:

6.2.2 Audit Committee:

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.

The committee met four times during the year. The Managing Director, and the Deputy Managing Director participated in the meetings, as invitees. The Board Audit Committee meetings were held as per guidelines of regulator during 2020 on 13.02.2020, 13.05.2020, 13.08.2020 and 13.11.2020.

The Audit Committee had the following members during the year under review:

Sr. No.	Name of Director	Nationality	Designation
1	Dr. Proches M.K. Ngatuni	Tanzanian	Chairman
2	Dr. Emmanuel Sadiki	Tanzanian	Member
3	Dr. Saganga M. Kapaya	Tanzanian	Member

6.2.3 Credit Committee

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.

The committee met 4 times during the year. The Managing Director and the Senior Manager Credit participated in the meetings, as invitees. The Board Credit Committee meetings were held as per guidelines of regulator during 2020 on 19.06.2020, 17.09.2020, 01.12.2020 and 18.12.2020.

The Credit Committee had the following members during the year under review:

Sr. No.	Name of Director	Nationality	Designation
1	Mr. D. Ananda Kumar	Indian	Chairman
2	Dr. Imanueli D. Mnzava	Tanzanian	Member
3	Dr. Bupe J. Mwakyusa	Tanzanian	Member

6.2.4 Risk Management Committee

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 bank's 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 the Asset Liability Management Committee (ALCO) reports presented by management to the Committee every quarter.

The committee met 3 times during the year. The Managing Director and the Risk Manager participated in the meetings as invitees. The Board Risk Committee meetings were held as per guidelines of regulator during 2020 on 19.06.2020, 17.09.2020, 01.12.2020 and 18.12.2020.

The Risk Committee had the following members during the year under review:

Sr. No.	Name of Director	Nationality	Designation
1	Dr. Imanueli D. Mnzava	Tanzanian	Chairman
2	Mr. D. Ananda Kumar	Indian	Member
3	Dr. Bupe J. Mwakyusa	Tanzanian	Member

6.3 Management

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 report directly to the Managing Director except the Internal Auditor who reports directly to the Board Audit Committee. The Managing Director is the overall in charge of Bank of Baroda (Tanzania) Limited responsible for planning, monitoring and business growth of which the main responsibilities include regulatory compliance, formulation of policies, liaison with stakeholders, product innovation and marketing.

The Deputy Managing Director oversees the finance, administration and human resources, credit, retail banking and treasury departments and he is the overall overseer of all compliance and operational issues of the bank. The bank had the following departments during the year under review:

- Credit department;
- Treasury and foreign exchange department;
- Finance department;
- Risk and compliance department;
- Information technology department; and
- Internal audit department.

6.3.1 Management Committee

The bank has management committees that are made exclusively of executive directors and heads of operating units. The committees addresses the issues relating to the formulation of Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs) 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 apprise the Board Committees of the issues for discussion at the higher level including policies formulation and bank limits revision.

There are five main Management Committees i.e. Asset Liability Management Committee (ALCO), Investment Committee, Operational Risk Management Committee, Credit Risk Management Committee and Outsourcing Committee. All these committees are chaired by the Managing Director. General Managers, Chief Manager and Head of the Departments are member of the committees. Other Management Committees are AML Cell, OSHA Committee, Procurement Committee and IT Divisional Committee.

i. Assets and liabilities committee (ALCO)

The committee is composed of the Managing Director, Deputy Managing Director, Senior Manager Credit, Senior Manager Treasury, Chief Manager 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 remedies. 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 another responsibility of the ALCO.

ii. Operational Risk Management Committee (ORMC)

The 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 Committee is responsible for design and implementation of ORM Framework, as approved by the board which is commensurate 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.

iii. Tanzania Credit Committee (TCC)

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 realized.
- The BCP Committee will be responsible for overall implementation, monitoring and periodical reviews of the BCP in the Bank and apprise 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;
- 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.
- To arrange meeting with Customers to disseminate information.

7.0 RELATED PARTY TRANSACTIONS

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 include loans and deposits.

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

7.1 Loans and advances to related parties

7.1.1 Directors

There were no loans and advances to directors during 2020 (2019: Nil). There were no deposits from companies controlled by Directors or their families (2019: Nil).

7.1.2 Key management

	2020	2019
	TZS`000	TZS`000
At 1 January	119,279	73,100
Advanced during the year	195,800	87,975
Repayment during the year	(79,227)	(41,796)
At 31 December	**394,306**	**119,279**

Loans to key management personnel were issued at off market interest rate of 8% per annum as per company policy.

7.1.3 Shareholders

There were no loans and advances to shareholders during 2020 (2019: Nil). There were no deposits from companies controlled by Directors or their families (2019: Nil).

No provision has been made in respect of loans given to related parties (2019: Nil).

As at 31 December 2020 there were no loans issued to companies controlled by Directors or their families (2019: Nil).

7.2 Deposits from related parties

	2020	2019
	TZS`000	TZS`000
Deposits from shareholders, directors and key management		

Beginning of the year	75,375	76,258
Deposits during the year	1,144,368	51,661
Withdrawals during the year	(1,198,436)	(52,433)
Deposits as at end of the year	**21,307**	**75,375**

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 (2019: Nil).

7.3 Compensation to Related Parties

7.3.1 Key management personnel compensation

The remuneration of key management personnel during the year was as follows:

	2020	2019
	TZS`000	TZS`000
Salaries and allowances (short term employee benefits)	938,767	979,517
Other long-term benefits (post-employment benefits)	93,877	97,952
	1,032,644	**1,077,469**

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 all heads of departments. Compensations of the Bank`s key management personnel include basic salaries, transport allowances, housing allowance, telephone allowance and post-employment benefits.

7.3.2 Directors' compensation

	2020	2019
	TZS`000	TZS`000
Sitting allowances	**40,117**	**36,650**

Sitting allowances paid to directors of the Bank during the year amounted to TZS 40.12 million (2019: TZS 36.65 million). The increase in sitting allowance as compared to 2019 is in respect of increase of meetings during the period envisioned to attain maximum compliance to the regulatory requirements and exchange fluctuation. The fees were approved by the Annual General Meeting. Full time directors are paid salary which is subject to Pay As You Earn (PAYE) and non-full time 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.

10.1.3.2 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.

10.1.3.3 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 8 to the Financial Statements.

10.1.4 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

12.1 Mission 2021

- Achieve Business Mix of TZS 261 Billion and Operating Profit of TZS 6.68 Billion.
- Reduce Gross NPA ratio to a level below 5.00% of Gross Advances.
- Maintain one of the best performing and compliant banks position in Tanzania.
- Increased use of IT enabled services and IT products of the Bank.

13.0 AUDITORS

M/s.Baker Tilly DGP & Co. were the auditors of the Bank during the year ended 31st December 2020. The auditors have expressed their willingness to continue in office for the financial year 2021. A resolution proposing the reappointment of auditors of the Bank for the year ending 31st December 2021 may be put to the Annual General Meeting.

14.0 APPRECIATION

The Board expresses its gratitude to Bank of Tanzania and various Department of Government of Tanzania for the valuable guidance and support received from them. The Board also acknowledges the support of its customers, other financial Institutions, correspondent banks for their support & cooperation. The Board wishes to place on record its appreciation for the contribution made by Mr. Shanthi Lal Jain during his tenure as Chairman of the Board. The Board also wishes to place on record its appreciation for all staff members of the Bank for their dedicated services & contribution for good performance of the Bank. Lastly, we thank the management and staff of Bank of Baroda, our Parent Bank, for their continued support and guidance.

For and on Behalf of Board of Directors:

....

Rajendra Sadashiv Mohrir
Managing Director

Place : Dar es Salaam
Date : 08/03/2021

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

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, requirements of the Companies Act, 2002 & the Banking and Financial Institution Act, 2006 and the guidelines of Bank of Tanzania.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its profit. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal control.

Approved by board of directors for issue in 08.03.2021 and signed on its behalf by:

Rajendra Sadashiv Mohrir
Managing Director

Dr. Imanueli D. Mnzava
Director

Place : Dar es Salaam
Date : 08.03.2021

DECLARATION OF THE HEAD OF TREASURY / ACCOUNTING OF BANK OF BARODA (TANZANIA) LIMITED

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the entity concerned. It is the duty of a Professional Accountant to assist the Board of Directors/Governing Board/Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors / Governing Board as under Directors Responsibility statement on an earlier page.

I **CPA Deogratias Edward Ndushi**, being the **Head of the Finance** of **Bank of Baroda (Tanzania) Limited** hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31st December 2018 have been prepared in compliance with applicable accounting standards and statutory requirements. I thus confirm that the financial statements give a true and fair view position of **Bank of Baroda (Tanzania) Limited** as on that date and that they have been prepared based on properly maintained financial records.

Signed by	: ....
Position	: Head of Finance
NBAA Membership No.	: ACPA 2964
Date	: 08.03.2021

bakertilly
Advisory | Assurance | Tax

Office 10-2, Level 10, IT Plaza,
Garden Avenue / Ohio Street,
P. O. Box - 1314, Dar es Salaam
Tanzania

T: +255 653 222 299, +255 768 222 299

info@bakertilly.co.tz
www.bakertilly.co.tz

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

Opinion

We have audited the financial statements of Bank of Baroda (Tanzania) Limited (the Bank), which comprise the Statement of Financial Position as at 31st December 2020, 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 give a true and fair view of the financial position of the Bank as at 31st December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Companies Act, 2002.

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 Accountants Code of Ethics for Professional Accountants (IESBA Code) together with The National Board of Accountants and Auditors (Code of Ethics) By - Laws, 2013, 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 judgment, 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 as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Area of focus	How our audit addressed the area of focus and results of our audit
Allowances for impairment on loans and advances **Refer to notes 17 of the financial statement.** Consideration is given at each financial statement position date to determine whether there is any indication of impairment of the carrying values of the bank's loans and advances. Indications could be failure by borrowers to fully meet terms and conditions of the loans and advances, poor servicing of loans & advances and severe economic slowdown in a given sector. Determinations of impairment provisions remains a highly subjective and judgmental area. Furthermore, the Bank is subject to significant regulatory scrutiny with respect to provisioning levels.	Our work covered impairment of loans and advances to customers. We understood and tested key controls and focused on: • The identification of impairment events and classification of loans • The governance over the impairment processes • The review and approval process that management have in place for the outputs of the Bank's impairment model. We assessed the use of historic experience to estimate impairment events which have occurred but not reported and to derive estimates of future cash flows. We also focused on the calculations of required impairment provisions, including the use of a model, and in particular the critical assumptions used in the model and calculations.

In assessing impairment amount, the estimated future loan recoveries (future cash flows) are discounted to their present values based on the time value of money and the risk specific to an individual loan or the group of loans.	These assumptions include: 1. Timing of the expected cash flows 2. Expected future cash flows 3. Discount rates 4. Quality of security maintained 5. Time taken to realize security. Further, we evaluate the accuracy of impairment tests applied. **Results of our work** Based on procedures performed and evidence obtained, we found management assumptions to be reasonable and therefore consider provisions to be appropriate.
Revenue recognition **Refer to notes 6 of the financial statements** Interest income is recognized in the statement of profit or loss and other comprehensive income for all interest bearing instruments on an accrual basis using the effective interest method, based on the actual purchase price. The effective interest rate method is a method of calculating the amortized cost of financial assets of a financial liability and of allocating the interest or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Once a financial asset or a group of similar financial assets have been written down as a result of impairment loss, interest income is recognized using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss. Fees and commissions are generally recognized on an accrual basis when the service has been provided or significant act has been performed. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating or participating in the negotiation of, a transaction for third party such as arrangement of the acquisition of shares or other securities or the purchase or sale of business are recognized on completion of the underlying transaction.	We considered the appropriateness of the Bank's income and other similar income recognition accounting policies, including the recognition and classification criteria for revenue. We assessed transactions taking place at either side of the statement of financial position date to evaluate whether interest income and interest expense were recognized in the correct period ***Results of our work*** Based on our procedures performed and evidence obtained, we found that revenue was fairly stated

There is a risk that revenue may be overstated because fraud as a result of pressure management may feel to achieve performance targets.	

Emphasis of Matter
On 11 March 2020, the world Health Organization declared Corona virus (COVID-19) outbreak a pandemic in recognition of its rapid spread across the globe. COVID-19 affects the bank in certain uncertainties for the future financial position and performance of the Bank. Uncertainties related to the potential effects of COVID-19 are relevant to understanding our audit of the financial statements. Our audits assess and challenge the reasonableness of estimates made by the bank, the related disclosures and the appropriateness of the going concern assumption in the financial statements. The appropriateness of the going concern assumption depends on the assessment of the future economic environment and the bank's future prospects and performance. The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of this report its effects are subject to levels of uncertainty. An audit cannot predict the unknowable factors or all possible future implications for a Company and this is particularly the case in relation to COVID-19.

Other information
The directors are responsible for the other information. The other information comprises the Director's Report as required by the Companies Act, 2002, which we obtained prior to the date of this report. Other information does not include the Financial Statements and our auditor's report thereon.

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

In preparing the financial statements, the directors are responsible for assessing the 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 the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 disclosure made by the directors.

Conclude on the appropriateness of the director'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.

We communicate with the directors 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.

Report on other legal and regulatory requirements

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;

iii) the director's report is consistent with the financial statements;

iv) information specified by the law regarding director's remuneration and transactions with the Bank is disclosed; and

v) the Bank's Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income are in agreement with the books of accounts.

For **Baker Tilly DGP & Co.**
Certified Public Accountants

Baker Tilly DGP & Co. P.O. BOX 1314 DAR-ES-SALAAM Certified Public Accountants

....
Kailas K. Bhattbhatt
Partner

Place : Dar es Salaam
Date : 08/03/2021

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2020

	Notes	2020 TZS '000	2019 TZS '000
Interest Income			
Interest income	6	15,165,798	14,811,035
Interest expense	7	(5,317,061)	(4,842,695)
Net interest income		9,848,737	9,968,340
Other operating income			
Fees and commissions income	8(a)	1,002,036	1,277,876
Foreign exchange gain	8(b)	429,805	618,064
Other operating income	8(c)	12,912	10,293
		1,444,753	1,906,233
Operating income		**11,293,490**	**11,874,573**
Operating expenses	9	(5,182,241)	(5,638,630)
Impairment losses on loans and	10	(895,730)	(463,676)
Bad debts written off	11	(33,695)	(4,035,973)
Profit before tax		**5,181,824**	**1,736,294**
Tax expense	12	(1,554,834)	(633,705)
Profit for the year attributable to the owners of the bank		**3,626,990**	**1,102,589**

The accounting policies and notes to financial statements on pages 31 to 58 form an integral part of these financial statements.

Report of the Independent Auditor is on Page 27 to 30.

The financial statements on pages 31 to 58 were approved by the board of directors and signed on its behalf by:

Mr. Rajendra Shadashiv Mohrir
Managing Director
Date :- 08.03.2021
Place :- Dar es Salaam

Dr.Bupe J. Mwakyusa
Director
Date :-
Place :- Dar es Salaam

Dr. Imanueli Daniel Mnzava
Director
Date :-
Place :- Dar es Salaam

Dr. P M K Ngatuni
Chairman
Date :-
Place :- Dar es Salaam

Dr. Emmanuel Sadiki
Director
Date :-
Place :- Dar es Salaam

Dr. Saganga Kapaya
Director
Date :-
Place :- Dar es Salaam

BANK OF BARODA (TANZANIA) LIMITED
P. O. BOX - 5356, DAR-ES-SALAAM

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2020

	Notes	2020 TZS '000	2019 TZS '000
ASSETS			
Cash and balances with Bank of Tanzania	13	17,729,334	24,796,927
Deposits and balances due from banking institutions	14	34,982,793	32,748,687
Government securities	15	20,279,872	21,171,659
Net loans and advances to customers	17	132,746,975	113,652,420
Property and equipment	26	2,263,522	1,348,753
Current income tax recoverable	18	1,911,340	1,599,315
Deferred income tax	19	481,134	338,800
Right of Use Asset	22	614,819	994,054
Other assets	21	662,723	446,493
Total assets		**211,672,511**	**197,097,109**
LIABILITIES			
Customer deposits	24	140,666,357	149,691,129
Deposits and balances due to banking i	24	24,256,148	5,847,425
Other liabilities	25	1,922,971	978,119
Lease Liability	23	595,953	1,032,402
Current tax	20	1,075,906	143,782
Total liabilities		**168,517,335**	**157,692,857**
EQUITY			
Share capital		10,000,000	10,000,000
Retained earnings		32,234,308	28,380,574
Revaluation Reserves		248,733	248,733
Statutory reserve		672,136	774,944
Total equity		**43,155,177**	**39,404,251**
Total liabilities and equity		**211,672,511**	**197,097,108**

The accounting policies and notes to financial statements on pages 31 to 58 form an integral part of these financial statements.

Report of the Independent Auditor is on Page 27 to 30.

The financial statements on pages 31 to 58 were approved by the board of directors and signed on

Mr. Rajendra Shadashiv Mohrir Managing Director Date :- 08.03.2021 Place :- Dar es Salaam	Dr.Bupe J. Mwakyusa Director Date :- Place :- Dar es Salaam	Dr. Imanueli Daniel Mnzava Director Date :- Place :- Dar es Salaam
Dr. P M K Ngatuni Chairman Date :- Place :- Dar es Salaam	Dr. Emmanuel Sadiki Director Date :- Place :- Dar es Salaam	Dr. Saganga Kapaya Director Date :- Place :- Dar es Salaam

BANK OF BARODA (TANZANIA) LIMITED
P. O. BOX - 5356, DAR-ES-SALAAM
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2020

	Share capital TZS '000	General Provisions (Loans & Advances) TZS '000	General Provisions (Other Assets	Revaluation Reserve	Statutory reserve TZS '000	Retained earnings TZS '000	Total TZS '000
At 1st January 2019	10,000,000	930,369	6,426	-	3,983,899	24,134,532	39,055,225
Changes in equity							
Profit for the year	-	-	-	-	-	1,102,589	1,102,589
Prior period Adjustments	-	-	-	-	-	(1,002,297)	(1,002,297)
Revaluation of Assets							
Difference between BOT Provision and IAS 39 Provision	-	(930,369)	(6,426)	248,733	(3,208,955)	4,145,750	-
At 31st December 2019	10,000,000	-	-	248,733	774,944	28,380,574	39,404,251
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
Revaluation of Assets	-	-	-	-	-	-	-
Difference between BOT Provision and IAS 39 Provision	-	-	-	-	(102,808)	102,808	-
Adjustment							
At 31st December 2020	10,000,000	-	-	248,733	672,136	32,234,308	43,155,177

The accounting policies and notes to financial statements on pages 31 to 58 form an integral part of these financial statements.

Report of the Independent Auditor is on Page 27 to 30.

The financial statements on pages 31 to 58 were approved by the board of directors and signed on its behalf by;

Mr. Rajendra Shadashiv Mohrir
Managing Director
Date :- 08.03.2021
Place :- Dar es Salaam

Dr. Bupe J. Mwakyusa
Director
Date :-
Place :- Dar es Salaam

Dr. Imanueli Daniel Mnzava
Director
Date :-
Place :- Dar es Salaam

Dr. P M K Ngatuni
Chairman
Date :-
Place :- Dar es Salaam

Dr. Emmanuel Sadiki
Director
Date :-
Place :- Dar es Salaam

Dr. Saganga Kapaya
Director
Date :-
Place :- Dar es Salaam

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2020

	Notes	2020 TZS '000	2019 TZS '000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		5,181,824	1,736,294
Depreciation	26	232,230	221,122
Gain on Disposal/revaluation		(3,800)	-
Prior period Adjustments		123,936	(1,002,297)
Provision for impairment		895,730	463,676
Net cash flow before changes in working capital		**6,429,920**	**1,418,795**
Change in working capital			
Increase in Statutory Minimum Reserve (SMR)		274,823	109,920
Decrease/(increase) in government securities maturing after 3 months	15	891,787	2,196,013
Increase (Decrease) in deposits due from other banks	14	(1,842,705)	5,871,453
(Increase)/decrease in loans and advances to customers	17	(19,990,285)	(15,542,939)
Increase in other assets	21	(291,353)	(1,956,169)
Increase in customers deposits	24	(9,051,485)	17,532,963
Increase in deposits due to banking institutions		18,408,723	4,575,863
Increase/Decrease in other liabilities	25	1,440,527	1,061,572
Cash generated from operating activities		(3,730,048)	15,267,471
Tax paid		(1,554,834)	(633,705)
Net cash flow generated from operations		(5,284,882)	14,633,766
CASH FLOW FROM INVESTING ACTIVITY			
Purchase of property and equipment		(1,147,000)	(42,417)
Proceeds from Sale of fixed Assets		-	-
Net cash flow used in investing activities		(1,147,000)	(42,417)
Net increase in cash and cash equivalent		(6,431,883)	14,591,347
Cash and cash equivalent at beginning of the year		45,898,382	31,307,033
Cash and cash equivalent at the end of the y	14	39,466,499	45,898,382

The accounting policies and notes to financial statements on pages 31 to 58 form an integral part of these financial statements.

Report of the Independent Auditor is on Page 27 to 30.

The financial statements on pages 31 to 58 were approved by the board of directors and signed on its behalf by;

Mr. Rajendra Shadashiv Mohrir
Managing Director
Date :- 08.03.2021
Place :- Dar es Salaam

Dr. Bupe.J. Mwakyusa
Director
Date :-

Dr. Imanueli Daniel Mnzava
Director
Date :-
Place :- Dar es Salaam

Dr. P M K Ngatuni
Chairman
Date :-
Place :- Dar es Salaam

Dr. Emmanuel Sadiki
Director
Date :-
Place :- Dar es Salaam

Dr. Saganga Kapaya
Director
Date :-
Place :- Dar es Salaam

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

1. GENERAL INFORMATION

Bank of Baroda (Tanzania) Limited is a wholly owned, subsidiary of Bank of Baroda, Baroda. It has been incorporated under the Tanzanian Companies Act, 2002 on 16th July 2007. The Bank of Tanzania issued license to conduct banking business under section 7 of the Banking and Financial Institutions Act, 2006 on 25th June 2007. The Bank commenced business on 16th June 2008.

2. ADOPTION OF NEW AND REVISED STANDARDS & INTERPRETATIONS

A. Standards, Amendments to the standards and Interpretations effective in the year 2020

The following standards, amendments and new interpretations issued by the IFRIC and are mandatory for the accounting periods beginning on or after 1st January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 16 Leases (Amendment – re Covid 19)
- Amended by Interest Rate Benchmark Reform – Phase 2:
  - IAS 39 Financial Instruments: Recognition and Measurement
  - IFRS 4 Insurance Contracts
  - IFRS 7 Financial Instruments: Disclosures
  - IFRS 9 Financial Instruments
  - IFRS 16 Leases

Standards, Amendments and Interpretations issued, but not yet effective

A number of new standards, amendments to standards and interpretations are effective for forthcoming periods and the Company had not adopted any of these Standards, Amendments of interpretations from an early date. The management does not foresee any major change in the accounting policies of the Company due to such amendments.

- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)
- IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use)
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts: Cost of Fulfilling a Contract)
- IFRS 3 Business Combinations (Amendment – Updating a Reference to the Conceptual Framework)
- Amendment by Annual Improvements to IFRSs 2018-2020 Cycle:
  - IAS 41 Agriculture
  - IFRS 1 First-time Adoption of International Financial Reporting Standards
  - IFRS 9 Financial Instruments
  - IFRS 16 Leases
- Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was issued:
  - IFRS 4 Insurance Contracts [Superseded]
  - IFRS 9 Financial Instruments
  - IFRS 17 Insurance Contracts

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied since inception unless otherwise stated.

i) Basis of accounting

Bank of Baroda (Tanzania) Limited has prepared its financial statements in accordance with the International Financial Reporting Standards (IFRS). The financial statements have been prepared and presented on historical cost conventions modified to include revaluation of financial instruments wherever applicable.

ii) New and amended standards adopted by the bank.

All new and amended standards and interpretations that become effective for the first time in the financial year beginning 1 January 2018 have been adopted by the bank. Of those, the following has had an effect on the bank's financial statements:

iii) Critical accounting estimates and judgment

In the application of the accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from the sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

iv) Revenue recognition

Income is recognized on an accrual basis. When an account is classified as non-performing, the interest accrued on that account is suspended and kept in interest suspense account until it is realized in cash.

v) Foreign currency transactions

In preparing the financial statements of the entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of profit or loss.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except of differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

vi) Financial assets

The bank classifies its financial assets in the following categories: Financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for sale financial assets. The classification is done on the basis of following criteria:-

- *Financial assets at fair value through profit or loss:* A financial asset is classified in this category if acquired principally or the purpose of selling in the short term or if so designated by the management.

- *Loans and receivables:* Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They arise when the bank provides money, goods or services directly to debtor with no intention of trading the receivables.
- *Held-to-maturity:* Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the bank management has the positive intention and ability to hold to maturity.

- *Available for sale:* Available for sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or change in interest rates, exchange rates or equity price.

Purchase and sales of financial assets art fair value through profit or loss, held to maturity and available for sale are recognized on trade date. Loans and receivables are recognized when cash is advanced to the borrowers. All financial assets are initially recognized at fair value plus transaction cost. Financial assets are de-recognized when the rights to receive cash flows from the financial assets have expired.

Subsequently, financial assets at fair value through profit or loss and available for sale, are carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method.

vii) Impairment of financial assets

The bank assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset and that loss event has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

If there is objective evidence that an impairment loss has been incurred on "Financial assets at fair value through profit or loss", "Financial assets Held-to-maturity" or "Financial assets available for sale", the amount is measured as difference between the assets carrying cost and its present value of estimated future cash flow discounted at the effective interest rate. The carrying amount is reduced through an allowance account and the amount of loss is recognized in the statement of profit or loss.

In case of loans and receivables, if there is an evidence of impairment loss, specific provisions is made in line with the requirements of the guidelines issued by the Bank of Tanzania (BOT) as follows:

The provisions are to be compared using both International Financial Reporting Standard (IFRS) 9 approach and Bank of Tanzania (BOT) regulatory approach as under:

No. of days outstanding	Classification	Provision (%)
Below 90	Unclassified	Nil
91 – 180	Substandard	20
181 – 360	Doubtful	50
Above 360	Loss	100

In case IFRS-9 provision is less than BOT provision, then a special non-distributable reserve is to be created through an appropriation of distributable reserve to eliminate the shortfall. The transfer is to be made in the statement of changes in equity and the purpose of the reserve shall be stated in a note to the accounts. Profit for the year should be transferred to retained earnings and an appropriate charge to the regulatory non-distributable reserve made before any dividend is declared.

The special non-distributable reserve created shall not be part of bank's core capital. In other words, the reserve will not be taken into account when computing regulatory capital of the bank. Where the bank has made a loss or has negative retained earnings, the excess provision should be added to accumulated losses when computing core capital.

viii) Measurement of expected credit losses (ECL):

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVTOCI is an area that requires the use of complex models and significant assumption about the future economic conditions and credit behavior. A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant risk increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

- Establishing groups of similar financial assets for the purposes of measuring ECL

  ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument. The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). The ECL model applied for financial assets and contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- Stage 1- If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, (loans with number of days past due between 0 – 30) these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.

- Stage 2- When there is a significant increase in credit risk since initial recognition, (loans with number of days past due between 31 – 90), these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month of expected credit losses.

- Stage 3- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, (loans with number of days past due above 90) the financial asset is considered credit-impaired and is migrated to stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

ix) **Assessment of significant increase in credit risk:**

The determination of a significant increase in credit risk takes into account many different factors including a comparison financial instruments credit risks or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments are overdue by more than 30 days will represent a significant in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The company uses these guidelines in determining the staging of its assets unless there is persuasive evidence available to rebut these presumptions.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

x) Property, plant & equipment

All property, plant & equipment 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 recognized 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 profit or loss.

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 on a reducing balance basis over their estimated useful lives. The annual depreciation rates in use are:

• Computers & Software	33.33% (WDV)
• Vehicles	25.00% (WDV)
• Office furniture & equipment	12.50% (WDV)
• Plant & Machinery	12.50% (WDV)

All of the above assets are reviewed for impairment once annually where ever there is a circumstantial evidence of impairment.

xi) Lease

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

Bank as a lessee

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

Right-of-use assets

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

- Residential & Commercial Premises 2 to 10 years

If ownership of the leased asset transfers to the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right of use assets have been shown separately on the face of the financial statements.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Bank's lease liabilities have been shown separately on the face of the financial statements.

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

xii) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprises of balances with less than three months maturity from the date of acquisition, including cash and non-restricted balances with Bank of Tanzania.

Cash and cash equivalents exclude TZS 9,367,097,000 (2017: TZS 8,966,631,000) cash reserve requirement held with the Bank of Tanzania. Banks are required to maintain a prescribed minimum cash balance with the Bank of Tanzania that is not available to finance the Bank's day to day activities. The amount is determined as 10% (2017: 10%) of the average outstanding deposits

xiii) Taxation

Income tax expense represents the sum of the current tax payable and the deferred taxation. Current taxation is provided on the basis of the profit for the year, as shown in the financial statement, adjusted in accordance with the Income Tax Act, 2004.

Deferred tax is provided on all temporary differences. Temporary differences are differences between the carrying amount of assets and liabilities for financial reporting purpose and their tax base.

The amount of deferred tax provided is based on the tax rate that has been enacted or substantively enacted by the balance sheet date and is expected to apply when the related deferred income tax is realized or the deferred tax liability is settled. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

xiv) Provisions

Provisions are recognized when the Bank 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.

xv) Employee benefits

All short term employee benefits are provided for in the statement of profit or loss 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' contribution is accounted for in the period it falls due. The employer also contribute to Workers' compensation fund one percent of gross salary per employee to the fund.

All members of staff and their spouses up to a maximum number of four beneficiaries (dependants) for each employee were availed medical services by the Bank through Insurance Cover except for non-resident employees who enjoy a reimbursement of medical expenses incurred.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

xvi) Comparatives

Whenever and wherever necessary, comparative figures have been regrouped / rearranged to confirm to the changes in the presentation in the current year.

xvii) Statutory reserves

As per the circular of BOT, for provision of non-performing assets, Bank is required to compute provision using both IFRS 9 approach and BOT regulatory approach. IFRS 9 provision should be charged to the statement of profit or loss. In case IFRS 9 provisions is less than BOT provision, then a special non-distributable reserve should be immediately created through an appropriation of distributable reserves to eliminate the shortfall. This reserve should be termed as "Statutory Reserve".

4. RISK MANAGEMENT

Operating in a liberalized and globalized 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, liquidity risk and operational risk.

The Board of Directors has overall responsibility for the establishment and oversight of the bank's risk management framework. The board has established the Assets and Liability, Credit and Operational Risk Committee (ALCO), which is responsible for developing and monitoring bank's risk management policies in their specified area. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are establishment to identify and analyze the risks faced by the bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered and the guidelines issued by the Bank of Tanzania. The Bank, through its training and management procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit committee is responsible for monitoring compliance with the bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the group. The Audit committee is assisted in these functions by the Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. The follow up of these procedures is closely monitored by the Managing Director, in the day to day activities of the bank.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

i) Credit risk

Credit risk is a risk of financial loss to the bank, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the bank's loans and advances to customers and other banks, and investment debt securities.

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit committee. The credit department of the bank, reporting to the credit committee is responsible for management of the bank's credit risk, including:

- Formulating credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for approval and renewal of credit facilities. The credit limits are governed by the Credit policy, as approved by the board.
- Reviewing and assessing credit risks.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances).

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	Balance outstanding including unrealized interest	Secured	Unsecured
As at 31st December 2020	**Tzs '000)**	**Tzs '000)**	**Tzs '000)**
Unspecified	131,530,301	113,206,283	18,324,018
Substandard	446,447	367,131	79,316
Doubtful	5,022	5,022	-
Loss	2,490,145	2,488,984	1,161
Total	**134,471,915**	**116,067,420**	**18,404,495**
As at 31st December 2019	**Tzs '000)**	**Tzs '000)**	**Tzs '000)**
Unspecified	112,063,313	93,518,288	18,545,025
Substandard	174,396	174,396	-
Doubtful	1,005,802	1,005,802	-
Loss	1,315,140	1,257,185	57,955
Total	**114,558,651**	**95,955,671**	**18,602,980**

The bank has calculated and provided for impairment as explained in note 4 (v) in compliance with the requirements of the Bank of Tanzania and the International Financial Reporting Standards.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

ii) 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 on the risk that may be accepted. Further the exposure is monitored on daily basis.

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 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.

iv) Interest rate risk

The bank is exposed to various risk 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 rate on deposits, loans and advances in line with the changes in market trend. These measures minimize the bank's exposure to interest rate risk.

v) 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.

vi) Operational risks

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

The bank's objective is to manage the operational risk so as to balance the avoidance of financial losses and damage to the bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiate and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the senior management at each branch level. The responsibility is supported by the development of overall standards for management of operational risks in the following areas:

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

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

Compliance with the standards is supported by the periodic review by the Internal Audit. The results of the internal audit are discussed with the management of the branch, with summaries submitted to the Audit Committee.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

Table showing liquidity risk position.

The table below analyses the Banks' assets and liabilities into relevant maturity grouping based on the remaining period at 31st December 2020 to the contractual maturity dates.

PARTICULARS	UP to 1 Month TZS ('000)	1 to 3 month TZS ('000)	3 to 6 month TZS ('000)	6 to 12 month TZS ('000)	1 to 2 years TZS ('000)	2 to 3 years TZS ('000)	3 to 5 years TZS ('000)	Over 5 Years TZS ('000)	TO Y TZS
Financial Assets	-	-	-	-	-	-	-	-	
Balance	3,545,230	-	-	-	-	-	-	-	3,54
Balance with Bank of Tanzania	5,171,234	-	-	-	-	-	-	9,012,870	14,18
Balances with other banks and financial institutions	29,991,955	1,034,300	3,198,450	-	-	-	758,088	-	34,98
Investment in Debt Securities	-	-	-	1,681,872	6,933,000	5,371,000	1,265,000	5,029,000	20,27
Loans, advances and overdrafts	5,979,505	1,549,250	7,824,250	3,315,920	22,556,450	22,556,450	26,765,040	42,200,110	132,74
Bank Premises, Furniture and Equipment	-	-	-	-	-	-	-	2,263,522	2,26
Other assets	339,436	-	-	-	1,665,290	1,665,289	-	-	3,67
Total Financial Assets	**45,027,360**	**2,583,550**	**11,022,700**	**4,997,792**	**31,154,740**	**29,592,739**	**28,788,128**	**58,505,502**	**211,67**
Demand Deposits/Call Deposits	6,612,590	-	-	-	685,560	685,560	-	15,113,000	23,09
Savings Deposits	3,238,290	-	-	-	3,788,095	3,788,095	-	16,722,000	27,53
Time Deposits	6,744,570	7,897,200	5,919,560	9,875,870	28,120,870	28,120,870	-	-	86,67
Special deposits	183,260	-	-	-	366,455	366,455	-	-	91
Deposits from banks and financial institutions	29,370	1,250,000	-	22,976,780	-	-	-	-	24,25
Bankers Cheques & draft issued	15,540	-	-	-	30,970	30,970	-	-	7
Accrued Interest	-	-	-	-	-	-	-	-	
Accrued taxes & other expenses not paid	487,620	-	-	-	975,235	975,235	-	-	2,43
Other liabilities	1,626,584	-	-	-	945,365	945,365	-	-	3,51
Shareholder's Funds	-	-	-	-	-	-	-	43,155,177	43,15
Total Financial Assets	**18,937,824**	**9,147,200**	**5,919,560**	**32,852,650**	**34,912,550**	**34,912,550**	**0**	**74,990,177**	**211,6**
LIQUIDITY GAP	**26,089,536**	**-6,563,650**	**5,103,140**	**-27,854,858**	**-3,757,810**	**-5,319,811**	**28,788,128**	**-16,484,675**	

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

The table below analyses the Banks' assets and liabilities at carrying amounts, categorized by the earlier of contractual reprising or maturity dates. The bank does not bear an interest rate on off balance sheet items.

PARTICULARS	UP to 1 Month TZS ('000)	1 to 3 month TZS ('000)	3 to 6 month TZS ('000)	6 to 12 month TZS ('000)	Over 1 years TZS ('000)	Non-Interest Bearing TZS ('000)	TOTAL TZS ('000)
Financial Assets	-	-	-	-	-	-	
Balance	-	-	-	-	-	3,545,230	3,545,230
Balance with Bank of Tanzania	-	-	-	-	-	14,184,104	14,184,104
Balances with other banks and financial institutions	29,991,955	1,034,300	3,198,450	-	758,088	-	34,982,793
Investment in Debt Securities	-	-	-	1,681,872	18,598,000	-	20,279,872
Interbank Loans Receivable	-	-	-	-	-	-	-
Loans, advances and overdrafts	5,979,505	1,549,250	7,824,250	3,315,920	112,996,000	1,082,050	132,746,975
Bank Premises, Furniture and Equipment	-	-	-	-	-	2,263,522	2,263,522
Other assets	339,436	-	-	-	-	3,330,579	3,670,015
Total Financial Assets	**45,027,360**	**2,583,550**	**11,022,700**	**4,997,792**	**132,352,088**	**24,405,485**	**211,672,511**
Demand Deposits/Call Deposits	6,612,590	-	-	-	16,484,120	-	23,096,710
Savings Deposits	3,238,290	-	-	-	24,298,190	-	27,536,480
Time Deposits	6,744,570	7,897,200	5,919,560	9,875,870	56,241,740	-	86,678,940
Special deposits	183,260	-	-	-	732,910	-	916,170
Deposits from banks and financial institutions	29,370	1,250,000	-	22,976,780	-	1,271,562	24,256,150
Bankers Cheques & draft issued	-	-	-	-	-	77,480	77,480
Accrued Interest	-	-	-	-	-	-	-
Accrued taxes & other expenses not paid	-	-	-	-	-	2,438,090	2,438,090
Other liabilities	-	-	-	-	-	3,517,314	3,517,314
Shareholder's Funds	-	-	-	-	-	43,155,177	43,155,177
Total Financial Liabilities	**18,937,824**	**9,147,200**	**5,919,560**	**32,852,650**	**144,815,277**	**50,459,623**	**211,672,511**
INTEREST SENSITIVITY GAP	**26,089,536**	**-6,563,650**	**5,103,140**	**-27,854,858**	**18,598,000**	**(15,682,281)**	**-**

Table showing Bank's exposure to foreign currency exchange rate risk.

The table below analyses the Bank's assets and Liabilities at carrying amounts, categorized by currency.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

(AMT. IN TZS '000)

Particulars	USD	GBP	EURO	INR	OTHERS	TOTAL
Financial Assets						-
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 , Advances and bills	80,668,760	-	-	-	-	80,668,760
Cheques and items for clearing	38,638					38,638
Other Assets	-	268	1,495	-	-	-
Total Assets	**101,436,662**	**326,527**	**1,062,715**	**66,710**	-	**102,890,850**
Financial Liabilities						
Deposits	77,348,954	388,299	803,108	-	-	78,540,361
Letter of Credit	229,386		13,478	-	-	242,864
Guarantees	52,273	-	-	-	-	52,273
Other Liabilities	23,209,824	4,352	49,524	-	-	23,261,936
Total Liabilities	**100,840,437**	**392,651**	**866,110**	-	-	**102,097,434**
Net Balance Sheet Position	**596,225**	**(66,124)**	**196,605**	**66,710**	-	**793,416**

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

5. CAPITAL MANAGEMENT

The Bank's objectives when managing capital, which is broader concept than the 'equity' on the face of the balance sheet, 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 for shareholders and benefits for other stakeholders; 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 Bank of Tanzania (BOT) requires each bank to:

- Hold a minimum level of core capital of Tzs. 15 billion;
- Maintain a ratio of core capital to the risk weighted assets plus risk weighted off balance sheet items at or above the required minimum of 12.50%; and
- Maintain total capital of not less than 14.50% of risk weighted assets plus risk weighted off balance 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 risks associated with each asset and counterparty, taking into account any eligible collaterals 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.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

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

REGULATORY CAPITAL	2020	2019
	TZS '000	TZS '000
Tier 1 Capital		
Share capital	10,000,000	10,000,000
Retained earnings	33,155,177	29,404,251
Prepaid expenses	(390.431)	(274.676)
Deferred tax asset	(481,134)	(338,800)
Total qualifying Tier 1 Capital	**42,283,612**	**38,790,775**
Tier 2 Capital		
Regulatory reserve	-	-
General provision reserve	-	-
Total qualifying Tier 2 Capital	-	-
Total regulatory capital	**42,283,612**	**38,790,775**
Risk - weighted assets		
On balance sheet position	130,076,536	112,156,628
Off balance sheet position	10,544,976	2,196,020
Market risk position	449,996	412,452
Operational Risk Position	9,564,630	9,628,842
Total risk - weighted assets	**150,636,138**	**124,393,942**

	Required ratios		**Bank's Ratio**	**Bank's ratio**
	2020	**2019**	**2020**	**2019**
Tier 1 Capital	12.5%	12.5%	28%	31%
Tier 1 + Tier 2 Capital	14.5%	14.5%	28%	31%

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENT

The table below summarizes the composition of regulatory capital and the ratios of the bank for the year ending on 31st December, 2020:

Minimum capital required for market risks - Standardized Measurement method	**Amt. (Tzs'000)**
Foreign Exchange Risk	54,000
Interest Rate Position Risk	-
Equities Position Risk	-
Total Minimum capital required for market risk	54,000
Total Minimum Capital Required for Operational Risk	1,147,756

Adjusted risk weighted assets	**Risk weight equivalents Amt. (Tzs'000)**
Credit risk on balance sheet items	130,076,536
Credit risk on off balance sheet items	10,544,976
Total Adjusted capital required for market risk	449,996
Total Adjusted capital required for Operational Risk	9,564,630
Total adjusted risk weighted assets and off balance sheet exposures	150,636,138

Available capital	**Amt. (Tzs'000)**
Available core capital	42,283,612
Available total capital	42,283,612

Capital adequacy ratios	
Core capital to risk weighted assets and off balance sheet exposures	28.07%
Total capital to risk weighted assets and off balance sheet exposures	28.07%

Particulars	**BOT Requirement**	**Actual**
Core capital to total adjusted risk weighted assets	12.50 %	28.07%
Total capital to total adjusted risk weighted assets	14.50 %	28.07%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 TZS '000	2019 TZS '000
6 INTEREST INCOME		
Interest on loans and advances	11,432,313	11,031,464
Interest on government securities	2,506,926	2,764,727
Interest on deposits and bank balances	1,226,559	1,014,844
	15,165,798	**14,811,035**
7 INTEREST EXPENSE		
Interest on other - non bank deposits	47,387	57,647
Interest on saving account deposits	241,946	230,618
Interest on term deposit accounts *	5,027,729	4,554,430
	5,317,061	**4,842,695**

Interest on interbank deposits amounting to TZS 255,679,963 has been included with interest paid on term deposits.

	2020 TZS '000	2019 TZS '000
8 FEES & COMMISSION		
(a) Fees	177,525	143,594
Commissions	824,512	1,134,281
	1,002,036	1,277,876
(b) Foreign exchange gain	429,805	618,064
	429,805	618,064
(c) Other income		
Profit on sale of fixed assets/Gain on revaluation	3,800	-
Rent recovery from staff	936	1,373
Rent on lease assets	8,176	8,064
Provision written back	-	856
	12,912	10,293
	1,444,754	**1,906,233**
9 OPERATING EXPENSES		
Commission expense	32,357	17,357
Employment cost	2,269,253	2,427,158
Rental expenses on premises and equipment	2,151	72,769
Rates and taxes	373,961	431,269
Lighting	142,325	151,092
Printing and stationery	59,711	20,620
Advertisement	52,632	78,556
Donations	20,420	-
Depreciation (Note 17)	232,230	221,122
Depreciation On Right of Use Asset	609,753	559,777
Interest on Lease Liability	69,793	78,660
Postages, telephones and swift charges	(5,727)	3,127
Repairs and maintenance	311,612	353,105
Insurance	213,583	342,664
Entertainment expenses	43,999	69,700
Directors' fees	40,177	36,650
Auditors remuneration	53,574	40,820
Legal fees	905	80,511
Sundry charges	73,058	79,794
Computer and software expenses	100,380	107,090
Management fees	390,831	453,754
Consultancy fees	22,109	13,033
Amortisation of premium on Htm	128	
Penal Inerest waived	21,877	
Fraud written Off	51,149	-
	5,182,241	**5,638,630**
10 PROVISION FOR BAD DEBTS		
Provision / (Recovery) for Bad and Doubtful Debts	895,730	463,676
	895,730	463,676
11 BAD DEBTS WRITTEN OFF		
Bad debts written off	33,695	4,035,973
	33,695	4,035,973

	2020	2019
12 TAX EXPENSE	**TZS '000**	**TZS '000**
Current income tax	1,697,168	173,180
Income tax for Prior Years	-	143,782
Deferred income tax	(142,334)	316,743
	1,554,834	633,705
Additional Tax-prior period taxes assessed	-	-
Current Period Tax	1,554,834	633,705

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:

	2020	2019
Profit before income tax	5,181,824	1,736,294
Tax calculated at the statutory tax rate of 30%	1,554,547	520,888
Tax effect of:		
Undercharge of prior period corporate tax	-	143,782
Expenses not deductible for tax purposes	548,852	409,913
Allowable expenses for tax purposes	(406,231)	(757,621)
Deductible temporary difference	(142,334)	316,743
Income tax expense	1,554,834	633,705

13 CASH AND BALANCES WITH BANK OF TANZANIA

	2020	2019
Cash balances	3,545,227	2,955,044
Balances with Bank of Tanzania		
-Restricted balances (Statutory Minimum Reserve)	9,012,869	9,257,177
-Unrestricted balances	5,171,238	12,584,706
	17,729,334	24,796,927

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 30 June 2020 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.

14 DEPOSIT AND BALANCES DUE FROM BANKING INSTITUTIONS

	2020	2019
Nostro accounts	6,449,736	2,294,701
Balances with other banks in Tanzania	28,672,893	30,492,120
Interest Receivable on Placements	57,090	150,093
	35,179,718	32,936,914
Less: Provision for Impairement	(196,925)	(188,227)
	34,982,793	32,748,687
Balances with Original Maturity of not exceeding 90 days	30,750,034	30,358,632
Balances with Original Maturity of above 90 days	4,232,760	2,390,055
	34,982,793	32,748,687

15 GOVERNMENT SECURITIES

	2020	2019
Treasury bills	3,411,840	4,571,180
Treasury bonds	15,185,394	14,359,264
Unearned discount on treasury bonds	823,424	1,330,660
Interest Receivables on Treasury Bonds	543,661	397,375
Interest Receivables on treasury Bills	315,554	513,180
	20,279,872	21,171,659
Less: Provision for Impairement	-	-
	20,279,872	21,171,659
Treasury bills and bonds		
Original Maturing within 3 months from the date of acquisition	-	-
Original Maturing after 3 months from the date of acquisition	20,279,872	21,171,659
	20,279,872	21,171,659

NOTES (CONTINUED)

16 CASH AND CASH EQUIVALENTS

	2020 TZS '000	2019 TZS '000
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 13)	8,716,465	15,539,750
Deposits and balances due from banking institutions (Note 14)	30,750,034	30,358,632
	39,466,499	45,898,382

17 LOANS AND ADVANCES TO CUSTOMERS

	2020 TZS '000	2019 TZS '000
Corporate loans	114,985,370	95,073,233
Personal loans	17,746,749	17,964,671
Personal loan to staff	657,746	580,354
Total loans and advances	133,389,865	113,618,258
Accrued Interest on Loans & Advances	1,082,050	940,393
Gross loans and advances	134,471,915	114,558,652
Less:		
Provision for impairment on loans and advances	(1,492,026)	(704,960)
Interest in suspense	(232,915)	(201,272)
Net loans and advances to customers	132,746,975	113,652,420

18 CURRENT TAX ASSET

	2020 TZS '000	2019 TZS '000
Tax Paid In Advance	1,911,340	1,599,315
	1,911,340	1,599,315

19 DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted tax rate of 30% (2019: 30%). The movement on the deferred income tax account is as follows:

	2020 TZS '000	2019 TZS '000
At 1 January	(338,800)	(655,543)
Credit to statement of comprehensive income (Note 10)	(142,334)	316,743
At 31 December	**(481,134)**	**(338,800)**
The defered tax liability/(asset) arises from:		
Accelerated capital allowance	92,858	(13,991)
Provisions	(893,187)	(429,511)
	(800,329)	(443,502)
Recoucilition of tax expenses		
Net profit as per statement of profit or loss	5,181,824	1,736,294
Tax @ 30% (2019:30%)	1,554,547	520,888
Adjustment for:		
Expenses not deductable for tax purposes	1,215,200	409,913
Allowances expenses for tax purposes	(414,584)	(740,599)
Deductible temporary differences	(800,329)	443,502
	1,554,834	633,705

20 TAX LIABILITIES

	2020 TZS '000	2019 TZS '000
Income Tax Payable	1,075,906	933,286
	1,075,906	933,286

NOTES (CONTINUED)

	2020	2019
21 OTHER ASSETS	**TZS '000**	**TZS '000**
Suspense accounts - general	58,780	248,936
Prepaid expenses	390,431	274,676
Others	213,512	(77,122)
	662,723	446,490
22 RIGHT OF USE ASSET	**Residential & Commercial Premises**	**Residential & Commercial Premises**
As at 1st January	994,055	1,553,832
NHC Lease	240,721	
Accumulated Depreciation added back	(10,205)	
Depreciation Expense	(609,753)	(559,777)
As at 31st December	614,819	994,055
23 LEASE LIABILITY		
As at 1st January	1,032,402	1,553,832
NHC Lease	240,721	
Change as per reduction in cashflow	(20,210)	
Accrued interest reversed	(78,660)	
Payment towards lease liability	(578,299)	(600,090)
	595,953	953,742
Accrued Interest	-	78,660
	595,953	1,032,402
24 CUSTOMER DEPOSITS		
Current Accounts	24,012,837	33,987,700
Saving Accounts	27,409,829	25,678,740
Term Deposit Accounts	86,678,941	87,648,181
Special scheme savings account	126,651	157,097
Provision for interest on deposits	2,438,100	2,219,411
	140,666,357	149,691,129
INTERBANK DEPOSITS & BORROWINGS		
Current Account	21,599	21,571
Fixed Deposit	24,234,549	5,825,855
	24,256,148	5,847,425
	164,922,505	**155,538,554**
25 OTHER LIABILITIES		
Bills payable	74,182	184,212
Withholding tax payable	45,853	38,044
Other payables	1,780,942	728,030
VAT Payable	-	19,054
Excise Duty Payable	-	8,779
Inter Branch Accounts - Credit	21,994	
	1,922,971	**978,119**

26 PROPERTY AND EQUIPMENT	Computer	Vehicles	Office Furniture and Equipments	Structure on Leasehold Building	Plant & Machinery	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
At the beginning (01/01/2019)	1,059,980	107,073	1,194,736	855,788	259,494	3,477,071
Additions	6,748	-	35,670	-	-	42,418
Exchange Revaluation	(880,148)	(28,731)	(601,275)	(494,849)	(193,268)	(2,198,271)
Revaluation Reserves	32,488	(8,464)	90,289	109,996	24,423	248,732
Disposals/write off	-	-	-	-	-	-
Depreciation up to 31.05.2019	25,911	4,978	32,767	18,799	3,449	85,904
At 31st December 2019	**193,157**	**64,900**	**686,653**	**452,136**	**87,200**	**1,484,046**
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**
DEPRECIATION						
(Rate of Depreciation %)	**33.33%**	**33.00%**	**12.50%**	**12.50%**	**12.50%**	
(Method of Depreciation %)	**SLM**	**SLM**	**Reducing**	**Reducing**	**Reducing**	**Total**
At the beginning (01/01/2020)	42,310	31,455	54,271	251	7,007	135,294
Depreciation for the period	76,681	14,132	75,421	56,517	9,480	232,230
Adjustment(Charge on Disposal)	-	(18,500)	-	-	-	(18,500)
At 31st December 2020	118,991	27,087	129,692	56,768	16,487	349,024
NET BOOK VALUE						
At 31st December 2019	**150,847**	**33,445**	**632,382**	**451,885**	**80,193**	**1,348,752**
At 31st December 2020	**101,351**	**19,313**	**1,676,777**	**395,368**	**70,713**	**2,263,522**