Annual Report 2019

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Annual Report

2019

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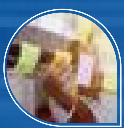

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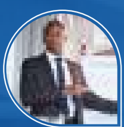

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LIST OF ABBREVIATIONS

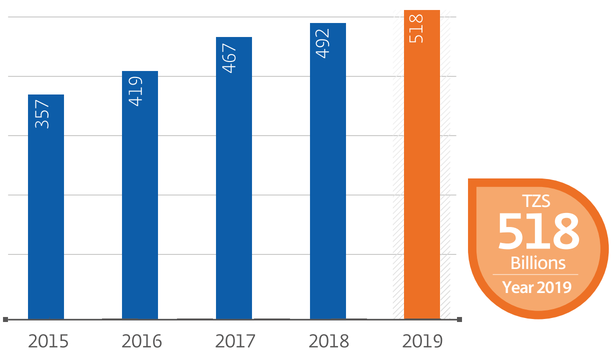
AGM	Annual General Meeting	LC	Letter of Credit
ALCO	Assets and Liabilities Committee	LDR	Loans to Deposits Ratio
ALM	Assets and Liabilities Management	LGD	Loss Given Default
BARCC	Board Audit, Risk and Compliance Committee	LIBOR	London Bank Offered Rate
BIA	Basic Indicator Approach	LTFR	Long-term Funding Ratio
BOT	Bank of Tanzania	MSE	Micro and Small Enterprises
CSR	Corporate Social Responsibiliy	NHIF	National Health Insurance Fund
DSE	Dar es Salaam Stock Exchange	OCI	Other Comprehensive Income
EAD	Exposure at Default	PD	Probability of Default
ECL	Expected Credit Losses	POCI	Purchased or Originated Credit Impaired
EIB	European Investment Bank	QR	Quick Response
EPS	Earnings per Share	SICR	Significant Increase in Creadit Risk
FMO	Financierings-Maatschappij voor Ontwikkelingslanden N.V	SME	Small and Medium Enterprises
FVOCI	Fair Value through Other Comprehensive Income	SMR	Statutory Minimum Reserve
FVTPL	Fair Value through Profit or Loss	SPPI	Solely Payments of Principal and Interest
IASB	International Accounting Standards Board	SPV	Special Purpose Vehicles
ICT	Information and Communication Technology	SWL	Salaried Workers' Loan
IESBA	International Ethics Standards Board for Accountants	TMRC	Tanzania Mortgage Refinance Company Limited
IFC	International Finance Corporation	TZS	Tanzanian Shillings
IFRS	International Financial Reporting Standards	UJVC	Upanga Joint Venture Company
ISA	International Standards on Auditing	USD	United States Dollars
YoY	Year on Year	USSD	Unstructured Supplementary Service Data

Our Business

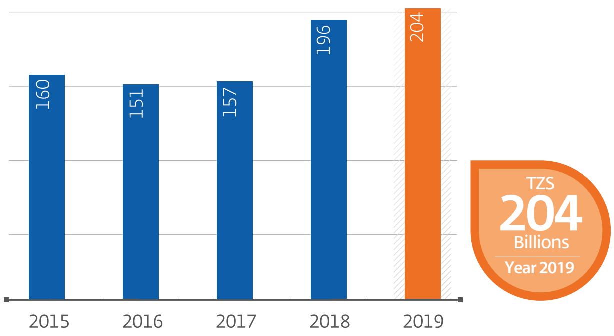
Our resilience and commitment to delivering the best sustainable results remains evident through the years.

FINANCIAL HIGHLIGHTS FOR THE YEARS 2015 - 2019

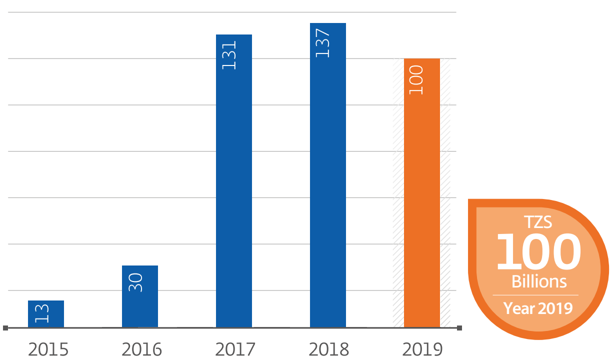
Net Interest Income
TZS Billions



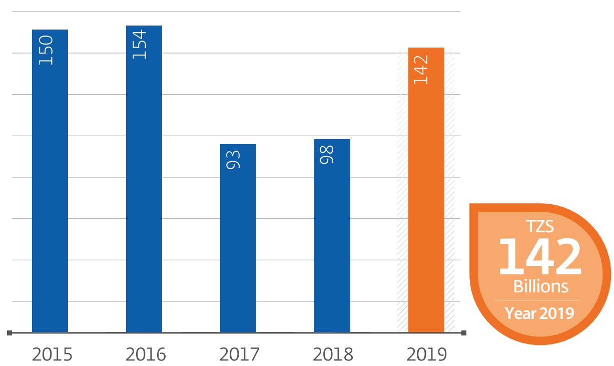
Non Interest Income
TZS Billions



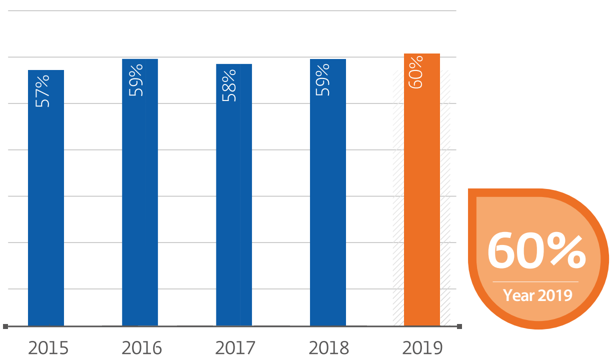
Impairment Loss on Loans & Advances
TZS Billions



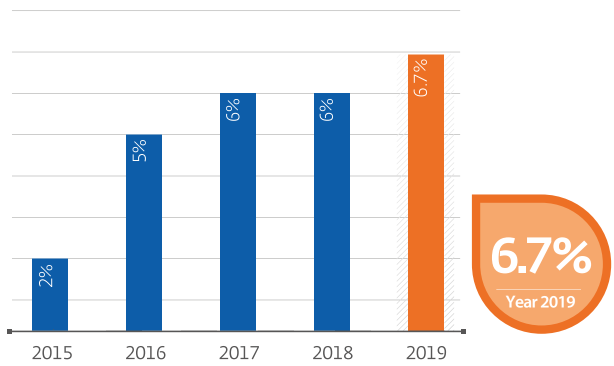
Profit after tax
TZS Billions



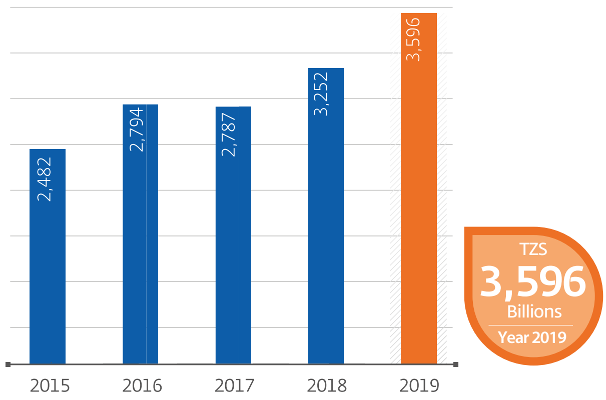
Cost to Income Ratio
%



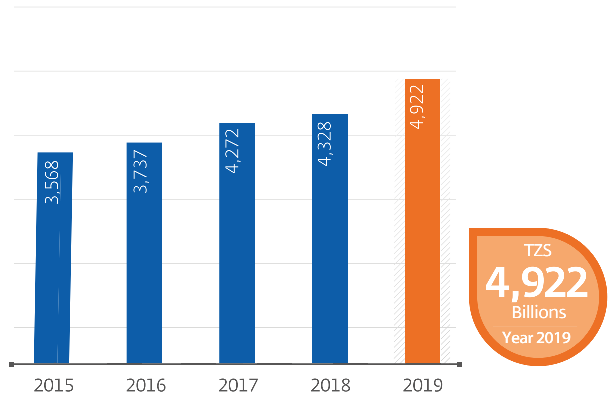
NPL Ratio
%



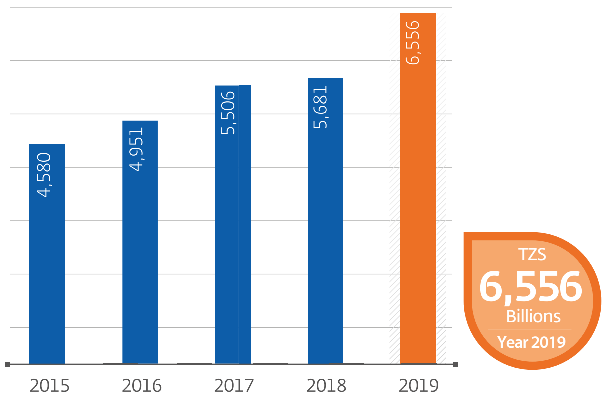
Loans and Advances
TZS Billions



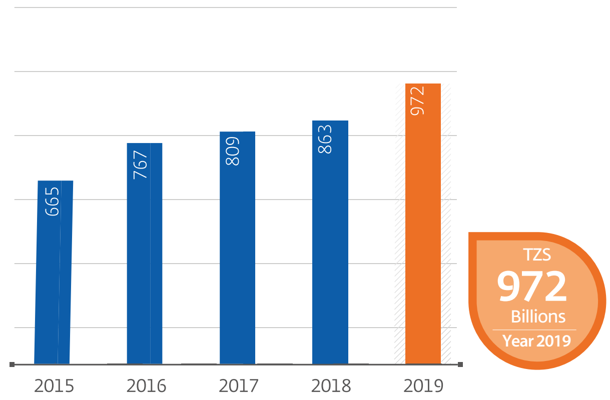
Customer Deposits
TZS Billions



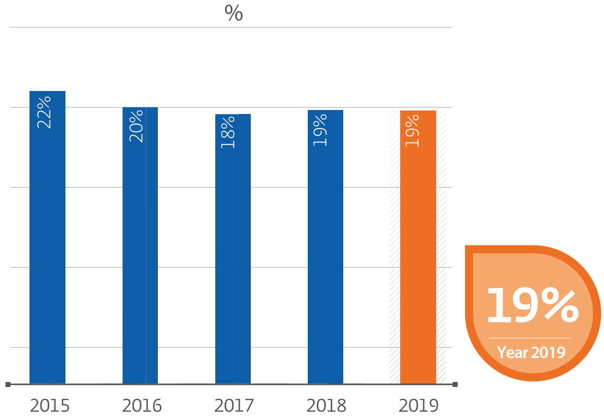
Total Assets
TZS Billions



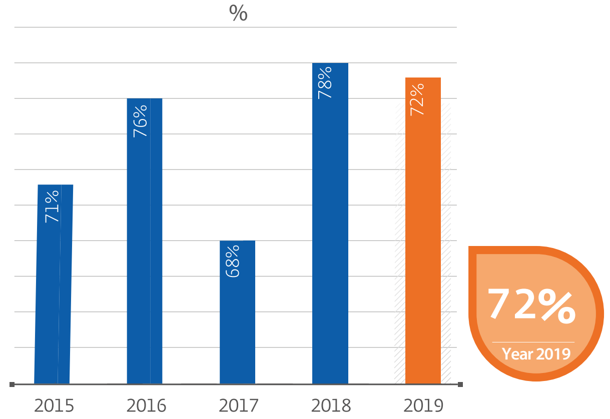
Shareholders' Fund
TZS Billions



Total Capital Adequacy Ratio
%

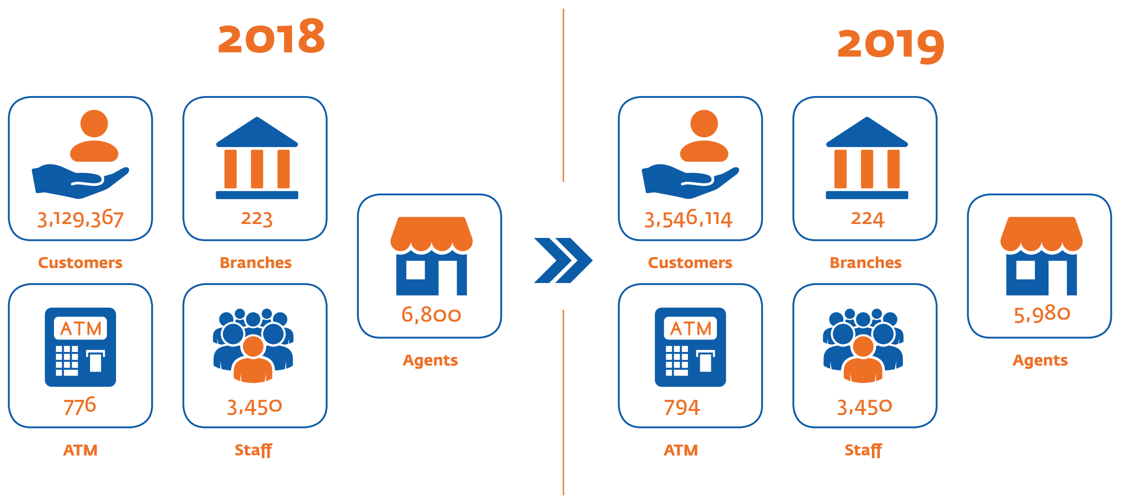


Loans to Deposit Ratio
%



FINANCIAL HIGHLIGHTS FOR THE YEARS 2015 - 2019

		2015	2016	2017	2018	2019
Profitability						
Total Income	Tzs Million	608,477	716,132	744,243	797,514	858,383
Operating expenses	Tzs Million	299,358	348,516	355,053	408,953	410,552
Tax	Tzs Million	67,040	67,599	44,409	43,978	68,921
Net profit	Tzs Million	150,288	153,825	93,494	97,663	142,167
Solvency						
Total Assets	Tzs Million	4,580,091	4,951,075	5,506,359	5,680,984	6,556,015
Tier 1 capital	Tzs Million	592,195	664,960	694,490	711,199	854,360
Risk Weighted Assets (RWA)	Tzs Million	2,932,574	3,519,618	4,114,144	4,321,532	4,988,790
Other						
Customers		2,100,000	2,178,700	2,710,328	3,129,367	3,546,114
Branches		175	188	212	223	224
ATMs		595	670	770	776	794
Wakala		476	1,600	3,785	6,800	5,980
Staff		3,162	3,432	3,371	3,450	3,450
Selected Ratios		**2015**	**2016**	**2017**	**2018**	**2019**
Return on average shareholders' equity		23%	20%	12%	11%	15%
Return on average assets		4%	3%	2%	2%	2%
Cost to income ratio		57%	59%	58%	59%	60%
Capital Adequacy Ratio						
Tier 1 Capital Ratio		20%	19%	17%	17%	17%
Tier1 + Tier2 Capital Ratio		22%	20%	18%	19%	19%



SHARE PERFORMANCE

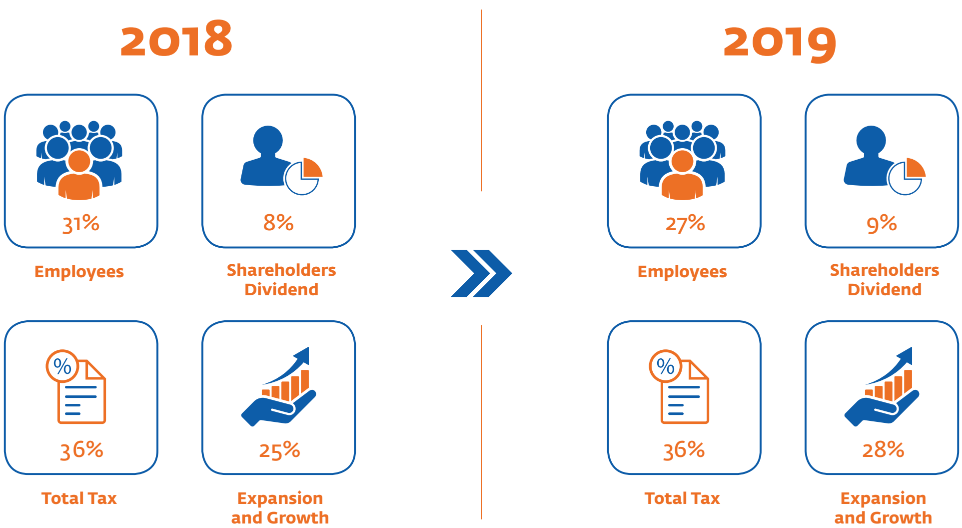
Share performance	Formulae		2015	2016	2017	2018	2019
Basic and diluted earnings per share	PAT/Number of shares in issue	Tzs	300	308	187	195	284
Dividend per share	Total dividend/ Number of shares in issue	Tzs	104	104	64	66	96
Closing share price	as per DSE	Tzs	2,500	2,750	2,750	2,340	2,340
Number of shares in issue		Millions	500	500	500	500	500
Dividend cover (times)	Basic diluted earnings per share/dividend per share	Times	2.89	2.96	2.92	2.95	2.96
Net asset value per share	Net assets/ Number of shares issue	Tzs	1,331	1,534	1,618	1,726	1,944
Dividend yield : ordinary dividend	Dividend per share/closing price at DSE	%	4%	4%	2%	3%	4%
Earnings yield : ordinary dividend	PAT/closing of share price	%	12%	11%	7%	8%	12%
Price to Book ratio	Closing share price/Net asset value per share	Times	1.88	1.79	1.70	1.36	1.20
Price: Earnings ratio: ordinary shares	Closing share price/Basic diluted earnings per share	Times	8.3	8.9	14.7	12.0	8.2
Market capitalisation	Closing share price times No. shares in issue	Tzs Millions	1,250,000	1,375,000	1,375,000	1,170,000	1,170,000
Net Assets	Audited financials	Tzs Millions	665,429	767,208	808,769	863,054	972,389
Volume of shares transacted	DSE	Millions	3.9	33.1	0.3	0.1	0.2

PAT - Profit After Tax
DSE - Dar es Salaam Stock Exchange

VALUE ADDED STATEMENT

Value added is the wealth the bank has been able to create by providing clients with a quality, value added service.

Tzs 'Millions	2019	2018
Value added		
Income earned by providing banking services	**905,046**	**834,235**
Interest expense paid to third party funding	(24,454)	(23,895)
Other depositors	(111,879)	(85,720)
Fee and commission expense	(46,663)	(36,721)
Impairment	(100,410)	(137,305)
Total cost of banking service	**(283,406)**	**(283,641)**
Value added by banking services	**621,640**	**550,594**
Other operating income and expenditures	(108,171)	(150,778)
Value added from banking services	**513,469**	**399,816**
Value allocated		
To employees:		
Salaries and other benefits	137,910	124,228
To Shareholders:		
Dividend to other shareholders	32,745	22,512
Government	15,255	10,488
To Government:		
Corporate Tax	68,921	43,978
PAYE	37,901	35,543
Skills development levy	6,768	6,378
Excise Duty	23,576	20,292
VAT on services	43,733	36,062
Other taxes	2,461	2,031
Total Taxes	**183,360**	**144,284**
To expansion and growth		
Depreciation, deferred tax and retained earnings	144,199	98,304
	513,469	**399,816**



Awards and Recognition

The Bank continues to grow from strength to strength. Reflecting on the milestones being made in delivering superior banking experiences across the country, and positively impacting the lives of Tanzanians.

*For seven years in a row the Bank has been a proud winner of the Euromoney Awards for Excellence being awarded the prestigious **'Best Bank in Tanzania 2018'** Award.*

*The Bank is also proud to have yet again been awarded by the National Board of Accountants and Auditors (NBAA) for the **'Best presented financial statements 2018'.***

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Our Vision

To be the preferred financial services partner in Tanzania

Our Mission

Through innovative distribution and our extensive branch network, to offer affordable customer focused financial services to the Tanzanian community, in order to realise sustainable benefits for all our stakeholders

Our Core Values

WHAT DRIVES US
Eagerness & Ownership

WHAT BINDS US
Customer focus & Teamwork

WHAT GUIDES US
Integrity & Compliance

INTERNAL INFORMATION

Company Secretary

Lilian R. Komwihangiro

Registered Office

NMB Head Office
Ohio/Ali Hassan
Mwinyi Road
P.O.Box 9213
Dar es Salaam

Auditor

PricewaterhouseCoopers
Certified Public
Accountants (Tanzania)
369 Toure Drive,
Oyster Bay
P.O. Box 45
Dar es Salaam

Lawyers

CSB Law Chambers
P.O.Box 375
Morogoro

CRB Africa Legal
P.O. Box 79958
Dar es Salaam

AMMIC Advocates
P.O.Box 718
Kahama

Vertex Law Chambers
P.O. Box 31985
Dar es Salaam

Vigilance Attorneys
P.O. Box 785
Arusha

Mbwilo Advocates
P.O.Box 1854
Mbeya

Law Associates
P.O. Box 11133
Dar es Salaam

Goldmark Attorneys
P.O. Box 1605
Dodoma

K & M Advocates
P.O. Box 71394
Dar es Salaam

FB Attorneys
P.O. Box 19813
Dar es Salaam

East Africa Law Chamber
P.O.Box 7439
Dar es Salaam

Legis Advocates
P. O. Box 3750
Dar es Salaam

Maleta & Ndumbaro
Advocates
P.O.Box 79944
Dar es Salaam

Galati Law Chambers Advocates
P.O.Box 11317
Mwanza

Kasimbazi And Co. Advocates
P.O. Box 1075
Iringa

Derost Attorneys & Law Counsellors
P.O. Box 1481
Mtwara

Rweyemamu Advocate Chambers
P.O. Box 1746,
Bukoba

Brickhouse Law Associates
P.O. Box 80512
Dar es Salaam

Strategy and Performance

Our refreshed strategic priorities continued to build on our purpose of efficiently providing affordable customer focused financial services to realise sustainable benefits for all our stakeholders.

Margaret Ikongo
Interim Board Chairman

"Following the review of the assumptions underlying our medium term plan, Vision 2020 in 2018, the focus in 2019 was more on revenue generation and cost efficiency. Our results for the year confirm that the strategy review and reprioritization of initiatives was both timely and successful."

CHAIRMAN'S REPORT

It is both an honor and a great privilege to present to you the NMB Bank PLC (the Bank or NMB) Annual Report and Financial Statements for the year ended December 2019.

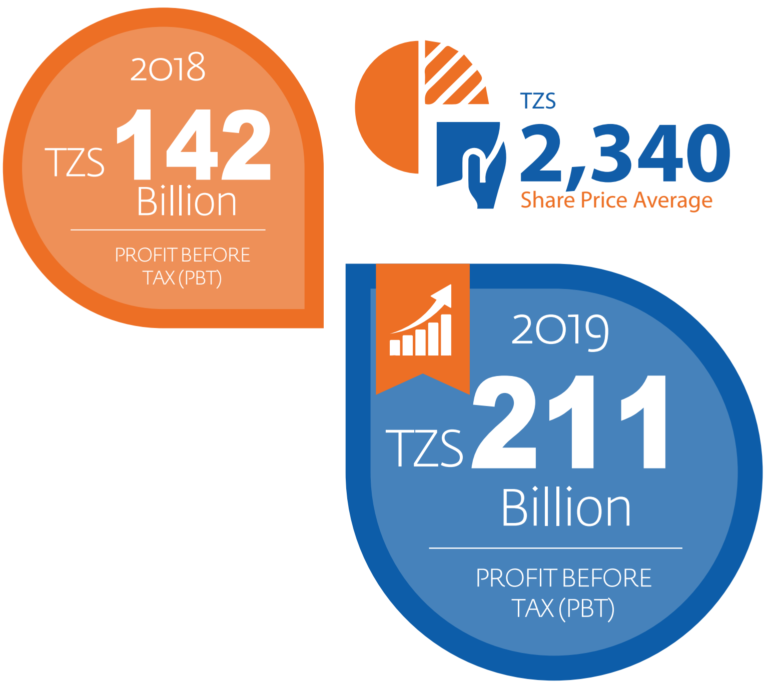
The achievements outlined in this report would not have been possible without the commitment and dedication of our staff. On behalf of the Board of Directors I thank the teams at the head office and branches across the country for their unwavering dedication and contributions in making 2019 a great year for the Bank.

I would also like to thank the Banking Regulator for the constructive manner in which they engage with banks and financial institutions, and for their oversight of the sector. Last but not least, I would like to extend special thanks to the Government of the United Republic of Tanzania for their steadfast support and cooperation.

According to the World Bank report, the economic recovery in Sub-Saharan Africa lost momentum, with growth in 2019 estimated to have moderated to 2.4%, lower than the initially forecasted 2.9%.

Tanzania's economy slowed down in the year but remained amongst the best performing in the region with a real GDP growth of 6.8% compared to 7% in 2018. In the year, headline inflation declined to an average of 3.4% from 3.5% in 2018, well below the medium-term target of 5%. There was a significant improvement in liquidity during the year with the spread between the one year deposit rate and the one year lending rate narrowing down to 7.59% from 10.12% in 2018. This was partly attributed to accommodative monetary policy and on-going reforms by the Government to improve business environment. Consequently, growth in credit to the private sector reached 11.1% in December 2019 compared to 4.9% in December 2018.

Following the review of the assumptions underlying our medium term plan, Vision 2020 in 2018, the focus in 2019 was more on revenue generation and cost efficiency. Our results for the year confirm that the strategy review and reprioritization of initiatives was both timely and successful. The ground work for the next medium and long term plan commenced in 2019 and is expected to be completed in time for 2021 planning and budgeting.



I am pleased with good financial results that the Bank has delivered. Profit Before Tax (PBT) grew by 49% to TZS 211 billion from TZS 142 billion in 2018. Our share price averaged at TZS 2,340 in the year and the bank remains amongst the best capitalized in the market.

The search for the bank's Managing Director continued in the year and is still ongoing. After holding fort for the best part of the reporting year as the Interim Managing Director, Mr. Albert Jonkergouw left Tanzania for the Netherlands in August 2019. Since then, Mrs. Ruth Zaipuna the Bank's Chief Financial Officer took over as the Acting Managing Director and will continue to do so until a substantive Managing Director is on board.

The NMB Board upholds high standards of management and corporate governance which we believe are key to delivering sustainable shareholder value and the Bank's long term success.

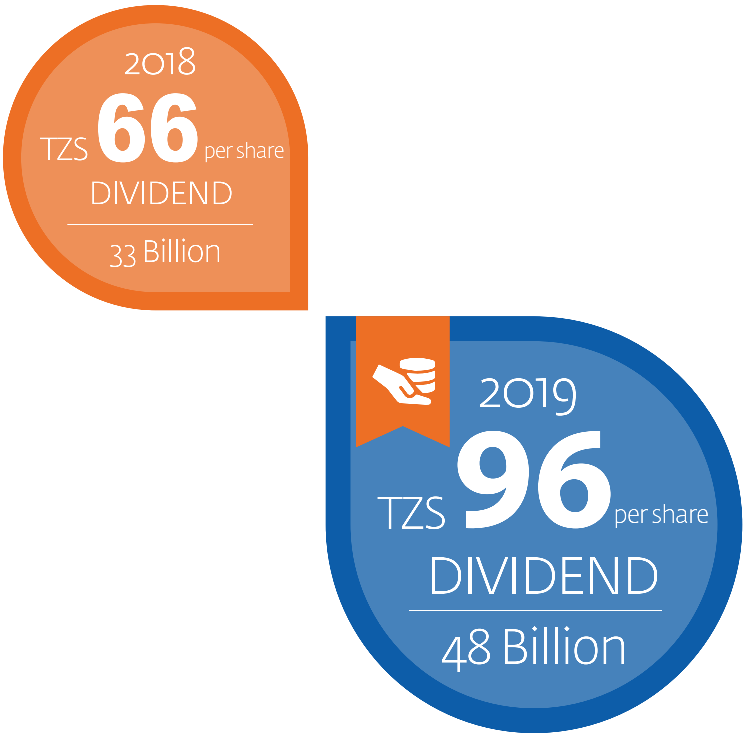
In 2019, the Board continued to provide leadership through oversight of the Bank's strategy execution, internal controls, risk management and people management. We worked closely with relevant stakeholders to ensure that our internal governance standards meet the expectations of the Bank of Tanzania (BOT) and the Capital Markets & Securities Authority (CMSA).

During the year, the Board underwent a number of changes with the appointment of two new directors, the re-appointment of one director and retirement of one director. We remain committed to ensuring that shareholders' interests are represented by experienced and qualified directors. During the year, we welcomed Mr. Rik Reisinger and Mr. George Mandepo onto the Board. Both directors are well accomplished in their fields: Mr. Reisinger is a renowned economist and banker and Mr. Mandepo is a seasoned lawyer and arbitrator.

Mr. Leonard Mususa was re-appointed for another term of three years. After serving on the board for eleven years, Mr. Jos Van Lange retired from the Board in the year. I thank Director Jos Van Lange for his devotion and selfless service during his tenure and wish the incoming directors success and God's guidance in their execution of duty.

After eight years as the Chairman of the Board, Professor Semboja retired in February 2020. On behalf of the Board of Directors, I thank him for his dedication and commitment to the Bank's prosperity; significant milestones were under his leadership. I wish him the very best in his future endeavors.

The Board has recommended maintenance of the dividend payout ratio of a third of Profit After Tax that has been used in previous periods; for the year ended 31 December 2019 a dividend of TZS 96 per share will be paid, equivalent to TZS 48 billion. A dividend of TZS 66 per share was paid for 2018, equivalent to TZS 33 billion.



Beyond formulating the next medium term plan, the Board will continue to closely support the execution of initiatives set out for the year 2020 to grow and diversify revenue lines as well as continue to promote cost efficiency. In the midst of the Corona Virus Disease (Covid-19) outbreak, the Bank is stable and we will continue to build strong, value adding relationships with our employees, customers, stakeholders and the communities in which we operate.

I would like to express my profound appreciation to our shareholders, Government, customers, and partners for their longstanding support to the Bank. I also thank my fellow Directors for their insights and counsel as well as their commitment to their roles on the Board and to the affairs of the Bank. It is a true honor to lead such a team.

Margaret Ikongo
Interim Board Chairman

Ruth Zaipuna
Ag. Managing Director

The achievements during the year demonstrate further the Bank's resilience in outperforming the market amidst a competitive business environment.

MANAGING DIRECTOR'S REPORT

In 2019 NMB Bank Plc maintained its leading position in the banking industry with a great financial performance in comparison to the previous year. The achievements during the year demonstrate further the Bank's resilience in outperforming the market amidst a competitive business environment.

Industry Developments

The Bank of Tanzania ("BOT") continued to implement a sound monetary policy regime throughout the year, resulting in adequate levels of liquidity in the financial sector. In 2019, the Central Bank reviewed downward the statutory minimum reserve (SMR) rate on non-central government deposits and borrowings held by banks from 8% to 7%. Moreover, the BOT improved the SMR averaging framework to allow banks to utilize up to 20% of their required SMR during the 14-day maintenance period up from 10% that had been previously operational. These revisions eased liquidity in the market to support credit extension to the private sector by banks which grew by 11.1% in December 2019 from 4.9% in December 2018. The overnight market was also fairly liquid throughout the year with interbank rates averaging at 4.8% in 2019 compared to 1.9% in 2018.

In 2019, the banking sector remained sound, stable and well capitalized. The sector's average NPL ratio decreased from 10.7% in December 2018 to 9.8% in December 2019. The drop is a result of the BOT's continuous effort to ensure that NPLs remain on a decreasing trend towards 5%.

In addition to the improved overall credit performance, the banking sector remained adequately capitalized with average core Capital Adequacy Ratio (CAR) of 17% as at the end December 2019, well above the 12.5% regulatory requirement, while the Liquid Asset Ratio (LAR) during the same period was 32.4%, higher than the 20% regulatory minimum.

To safeguard the industry, the Central Bank continued to strengthen risk management practices in the sector by implementing various policies and regulatory reforms. A number of new regulations were issued in the year including The Bank of Tanzania Financial Consumer Protection Regulations 2019 which requires financial service providers to ensure effective implementation of consumer protection.

Bank Performance Overview

Despite the changing market dynamics and growing competition, NMB delivered a strong set of results in the year. The Bank's balance sheet grew by 15% year on year to TZS 6, 556 billion in 2019. The significant growth in assets was funded by a 14% year on year increase in customer deposits to TZS 4,992 billion in 2019 and a 14% annual growth in other liabilities. During the year, the Bank raised TZS 83.3 billion from the public through the issuance of a retail bond. This third tranche issuance is part of the Bank's Medium-Term Note (MTN) program and in line with the Bank's strategy to diversify its funding sources.

Year on year Loans and Advances exhibited a healthy growth of 11% to TZS 3,596 billion from TZS 3,252 billion in 2018. This resulted into a 5% growth of Net Interest Income from TZS 492 billion in 2018 to TZS 518 billion in 2019 with total operating income growing by 49% from TZS 142 billion to TZS 211 billion. More context on the Bank's financial performance is provided in the Chief Financial Officer's review on the financial statements.

Strategy Implementation

Our business performance and operations continue to be guided by goals outlined in our five year strategic plan, Vision 2020. The plan has three key focus areas namely deposit mobilization which entails acquiring sticky and affordable deposits, operational efficiency where we seek to improve the experience of both our internal and external customers whilst optimizing costs and revenue generation which aims to reduce our reliance on interest income by diversifying our revenue streams.

Deposit Mobilization

In addition to the aforementioned Retail Bond, a number of deposit campaigns were held during the year. The Bank was also able to provide banking solutions to strategic crop farmers of cashew nuts, cotton, tobacco and coffee which also resulted in an increase of affordable deposits.

Operational Efficiency

Customer Service Transformation across the Bank commenced with process reviews, including centralizing support for branch customer queries/ complaints which enabled faster resolution.

In an effort to improve operational efficiency, a number of tasks were redistributed and digital solutions rolled out.

Cost efficiency continued to be a key focus for the year. Significant savings were achieved on rent, associated facilities-related services contracts, corporate security, CIT services and system licenses.

In an effort to further improve management's relationship with staff, an employee engagement forum, SIKIKA, was established during the year as a means to connect management to staff, champion employee engagement, receive new business ideas from staff and find best ways to resolve staff and business matters proactively.

Revenue Generation

A number of new products were launched during the year. These include the Fanikiwa loan for Micro and Small Enterprises (MSEs) and Afya Loans for Health facilities in the country. The Bank also further reinforced its position as the innovative market leader by partnering with MasterCard to launch a cashless payment solution for bodaboda riders.

Additionally, the Bank revamped its mobile application NMB Klik to NMB MKONONI to enhance the customers' experience and transactional income. The trade financing proposition was expanded by establishing trading limits with banks in Turkey and China.

As Vision 2020 comes to an end, the process to curate the next Medium Term Plan that will continue to position NMB as the industry leader is already underway.

Outlook for 2020

Good progress was achieved in 2019. The Bank's aspiration for 2020 are to maintain its position as the most profitable Bank in Tanzania, maintain a high quality loan book and offer the best in services and products. With the recent outbreak of the Covid-19 virus, we have had to conduct a number of assessments to determine the impact the pandemic will have on our customers, operations and our 2020 aspirations as a whole. We are optimistic that the Bank will withstand the pressures that will arise.

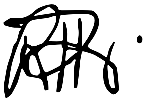
Now more than ever, we will continue to play our part in facilitating and contributing to Tanzania's growth by supporting our staff, customers and the communities in which we operate. The Bank commits to continue supporting the Government of Tanzania in the implementation of its strategic projects.

Word of Thanks

I take this opportunity to thank our entire staff team for their continued resilience, hard work and commitment throughout the year towards the commendable performance the Bank has achieved.

I would also like to thank our customers and business partners for their unwavering support in the year. We are optimistic that NMB will reach new heights in 2020.

Lastly, I would like to express my sincere gratitude to the Bank's Board of Directors under the Chairmanship of Professor Joseph Semboja for their support, guidance and oversight. As we bid the Professor farewell, I would like on behalf of NMB's management and staff, to thank him for his leadership over the years in transforming the bank to the industry leader it is today.



Ruth Zaipuna
Ag. Managing Director

Benedicto M. Baragomwa, CPA,CISA
Ag. Chief Financial Officer

We have had strong balance sheet growth, improved Non Funded Income performance especially in the second half of the year 2019, demonstrated efficiency in managing costs, and made positive strides on impairment management contributing to improvement overall strong performance.

CHIEF FINANCIAL OFFICER'S REVIEW

Performance summary

The Bank's Profit before Tax increased by 49% to TZS 211 billion in 2019 from TZS 142 billion in 2018. This growth in the Bank's profitability in 2019 is a result of increase in both net interest income and non-funded income, including Foreign exchange and other income. Impairment was controlled with 27% reduction YoY from TZS 137 billion in 2018 to TZS 100.4 billion in 2019. Furthermore, costs were well managed to deliver a flat YoY cost performance. However, it remains pertinent that management continues to work on generating more fees & commission income, diversification of services offered, and optimization of alternative channels for improved service delivery and sustained growth in profitability.

Total operating income before impairment charges is up by 5% YoY to TZS 722 billion from TZS 688 billion recorded in 2018. The growth is a result of increase in net interest income by 5% benefiting from good growth in the Retail loans and advances. The growth was however partly offset by an increase in interest expense by 24% YoY mainly driven by an increase in fixed deposits. In addition, total operating income increased due to growth in net fees and commissions, foreign exchange and other income as follows:

- Net fees and commission income increased by 2% mainly attributed to loan related fees, following the good growth in Retail loans and advances and growth in other fees and commission from ATM Service, MNO collaboration and Agency banking due to increased use.
- Foreign exchange increased by 17% YoY following a countrywide closure of Bureau de change by the Government in early 2019 which led to an increase in foreign exchange transaction volume for banks.

Bad debt recoveries increased significantly from TZS 6.7 billion in 2018 to TZS 8.6 billion in 2019 or 28%. This was attributed to a more proactive recovery strategy that allowed long outstanding debts to be negotiated with a view of allowing reasonable discount on written off debts.

Credit Impairment charge of TZS 100.4 billion was 27% down year on year due to better management of Loans portfolio particularly Corporate loans.

Operating expenses remained relatively flat year-on-year driven by cost saving initiatives in new technological investment and office expenses. Management will continue with the cost efficiency initiatives to further reduce costs and enable the Bank to continue investing in technology, staff and products in order to continue delivering improvements in productivity and customer experience.

The Bank is well capitalized with a Core Capital Ratio of 17% and had good levels of liquidity as at 31 December 2019. Customer loans and advances grew 11% in the year funded by growth of customer deposits by 14% and Issuance of retail bond worth TZS 83 billion.

Due to improved performance and strong capital position, the Board has recommended payment of a dividend of TZS 96 per share, a 45% increase compared to TZS 66 per share paid in the previous year.

Performance

	2019 TZS' Millions	2018 TZS' Millions	Change TZS' Millions	Better/ (Worse)%
Net interest income	517,641	492,023	25,618	5
Net fees and commission income	169,153	166,282	2,871	2
Foreign exchange and other income	35,256	29,594	5,662	19
Operating income before impairment charge	722,050	687,899	34,151	5
Impairment charge	(100,410)	(137,305)	36,895	(27)
Operating income after Impairment	621,640	550,594	71,046	13
Operating expenses	(410,552)	(408,953)	(1,599)	-
Profit before tax	**211,088**	**141,641**	**69,447**	**49**
Income tax expense	68,921	(43,978)	(24,943)	57
Profit for the year	**142,167**	**97,663**	**44,504**	**46**
Return on equity (%)	15	11		
Return on assets (%)	2	2		
Cost to income ratio (%)	60	59		
Non-interest income to gross income (%)	28	28		
Earnings per share (TZS)	284	195		
Dividend per share (TZS)	96	66		
Tier I Capital (%)	17	17		
Total Capital (%)	19	19		

Summary

	2019 TZS' Millions	2018 TZS' Millions	Change TZS' Millions	Better/ (Worse)%
Retail	545,918	505,983	39,271	8
Wholesale	63,743	67,508	(2,212)	(3)
Treasury	112,388	114,408	(2,908)	(3)
Total	**722,049**	**687,899**	**34,151**	**5**

Operating Income by Segments

Retail Banking operating income was up by 8% year on year driven by increase in net interest income from growth of loans and advances and increase in non-funded income. Retail loans and advances increased by TZS 414 billion or 16% year on year, with significant increase being from SWL/Personal loans which increased by TZS 373 billion or 13%.

Wholesale banking net income decreased by 3% year on year. The focus was on high quality loans and advances, which resulted to slow growth in loans. This was compensated by a reduction in impairment charge by TZS 22billion. Interest expense increased by TZS 3.3billion due to increase of customer's deposits particularly Call and FDR accounts.

Treasury total net income dropped by 3% year on year due to increase in interest expense by TZS 3.7 billion, largely attributed to full impact of interest on subordinated debt in 2019 against 9 months in 2018. Income from Foreign exchange dealings increased by 17% while Bond Trading income increased by 6% year on year, offsetting the lower net interest income.

Loan Impairment Charge

	2019 TZS' Millions	2018 TZS' Millions	Change TZS' Millions	Better/ (Worse)%
Wholesale Banking	35,530	57,447	(21,917)	(35)
Retail Banking	63,320	77,809	(14,489)	2
- Consumer Banking	44,919	40,157	4,762	82
- Business Banking	18,401	37,652	(19,251)	(51)
Off Balance Sheet items	1,560	2,049	(489)	13
Total Impairment Charge	**100,410**	**137,305**	**(36,895)**	**-**

Loan impairment charge for the year of TZS 100.4 billion was down by 27% year on year. On segment basis, wholesale and retail loan impairments were lower year on year. Despite the decrease in loan impairment, our NPL ratio increased slightly to 6.7% compared to 6% recorded in preceding year. The Bank's target is to maintain NPL ratio below 5%, BOT's recommended threshold.

The Bank remains alert to the various challenges affecting businesses and will continue to be prudent in granting new loans while deploying rigorous recovery measures in respect of the impaired loans.

Operating Expenses

Operating expenses summary

	2019 TZS' Millions	2018 TZS' Millions	Change TZS' Millions	Better/ (Worse)%
Employee Benefit Expense	182,579	166,149	16,430	10
Other Operating Expenses	154,365	188,871	(34,506)	(18)
Depreciation and amortization	73,608	53,933	19,675	36
Total Operating eExpenses	**410,552**	**408,953**	**1,599**	**0**
Staff numbers (full number)	3,450	3,450		-
Cost to Income Ratio (%)	60	59		

Operating expenses remained flat year on year with small increase of TZS 2 billion YoY, of while cost to income ratio increased by 1%. Staff costs continue to be a significant part of overall costs, recording staff cost to total cost ratio of 44% in 2019 compared to 41% in 2018, the ratio is up by 3% YoY.

Balance Sheet and Capital

Balance Sheet Summary

	2019 TZS' Millions	2018 TZS' Millions	Change TZS' Millions	Better/ (Worse)%
Cash and Balances with Bank of Tanzania	1,341,140	1,070,422	270,718	25
Placements and balances with other banks	264,326	174,391	86,935	52
Investments in Government Securities	761,554	740,185	21,369	3
Loans and advances to customers	3,595,688	3,251,794	343,894	11
Other Assets	593,307	444,192	149,115	34
Total Assets	**6,556,015**	**5,680,984**	**875,031**	**15**
Balances due to other banks	33,446	20,770	12,676	61
Deposits from customers	4,922,278	4,327,607	594,671	14
Other Liabilities	627,902	469,553	158,349	34
Total Liabilities	5,583,626	4,817,930	765,696	16
Total Equity	972,389	863,054	109,335	13
Total Liabilities and Equity	**6,556,015**	**5,680,984**	**875,031**	**15**
Gross Loans and Advances to Deposits (%)	72	78		
Core Capital Ratio (%)	17	17		
Total Capital Ratio (%)	19	19		
Risk Weighted Assets	4,988,790	4,321,532		15

Net loans and advances to customers were up 11% year-on-year to TZS 3,595 billion with strong and broad-based growth across a range of products. Customer deposits of TZS 4,922 billion were up by 14% year-on-year as the Bank continued to focus on improving the quality and mix of its liabilities. The Bank's loans and advances to customer deposits ratio improved to 72% in 2019 compared to 78% recorded in 2019.

Capital Ratios

The Bank is well capitalized with a Core Capital Ratio of 17%, well above the Regulatory requirement of 12.5% while Total Capital ratio stands at 19%.

Summary

Good progress is being made in transforming the Bank. We have had strong balance sheet growth, improved Non Funded Income performance especially in the second half of the year 2019, demonstrated efficiency in managing costs, and made positive strides on impairment management contributing to improvement overall strong performance.

We have experienced the outbreak of the COVID 19 pandemic which is expected to cause disruptions to many businesses. However, our initial analysis provides comfort that the bank is adequately resourced to withstand the anticipated shocks. Furthermore, there are no immediate material shocks to our business that require adjustments or disclosures in the financial statements for the year ended 31 December 2019.

It is encouraging to see the improvement in operating income and the increased balance sheet momentum but there is work to be done to further improve performance. The ongoing work on improving the quality of the loan portfolio, focus on recoveries, business diversification, and cost efficiency will continue. We remain true and committed to our 2020 mantra i.e NMB 2020, REACHING NEW HEIGHTS.

Benedicto M. Baragomwa, CPA, CISA
Ag. Chief Financial Officer

BUSINESS AND OPERATIONAL REVIEW

1. Retail Banking

The Retail Banking Department consists of Consumer Banking (individuals and groups, including civil servants), Business Banking (micro, small & medium sized enterprises), Retail Agri-Business, Bancassurance, Card business, Network, Retail Products and Channels. The department offers a broad range of financial services and products including Transactional accounts, Savings accounts, Mortgage, Vehicle Financing, Unsecured and Secured Lending as well Payments Solutions to Personal, Business Banking and Agri-Business Customers.

In 2019, Retail Banking's loan portfolio grew by 16%, whilst interest income grew by 10%. There was a concerted effort in the year to grow customer deposits which grew by 18% to TZS 3.4 trillion. The growth can be attributed to our successful deposit focused initiatives as well as the Retail bond issuance.

Consumer lending increased by 19% to TZS 2.35 trillion from TZS 1.97 trillion in 2018. The micro, small and medium enterprises (MSME) portfolio grew by 1% from the previous year to TZS 586 billion. Portfolio quality continued to be a prime focus area for Business Banking, with the team carrying out different initiatives aimed at improving portfolio quality. Retail Agri-Business also had a stellar year; the Agri-Business loan book increased by TZS 17 billion from the previous year.

In line with our strategic agenda of diversifying the asset portfolio which is largely composed of Salaried Worked Loans (SWL), a number of new products were rolled out in the year.

These include:

- Wakala loans (Floti-Fasta) - This is an unsecured facility for NMB agents
- Salary Advance - a one-month advance cash facility to our pre- approved customers
- Pensioner Loan and Pre-Pensioners Loans (a lending solution to pre-retirees) and sales
- Construction mortgage loan which allows our customers to borrow for construction of their homes secured by land that has a title deed.

Our digitization strategy is based on customer centricity, evidenced by our newly re-launched mobile App from Klik to NMB Mkononi which gives customers greater control and freedom in managing their bank accounts from their mobile phones.

In 2019, Our digital and self-services alternative channels such as Internet Banking (NMB Direct), Mobile Banking (NMB Mkononi), Agency Network and Point of sale devices continued to see strong growth in transaction volumes and values.

In-line with ensuring that NMB is always 'Close to You', we continued expanding our distribution network by increasing the number of branches from 223 to 224. This was in addition to the completion of the refurbishment of existing branches. We also increased our ATM footprint from 776 ATMs in 2018 to 794 ATM in 2019. Merchant acquisition from 161 on 2018 to 487 in 2019 which is 102% growth.

In 2020, we will continue to place emphasis on usage of our digital channels and focus on deposit mobilization initiatives aimed at driving acquisition of low cost and sticky deposits. We will also launch new and innovative products and services aimed at aiding customers in meeting their personal and business goals.

2. Wholesale Banking

The Wholesale Banking (WB) unit is dedicated to ensuring our clients have access to a wide range of high value services and products.

These services range from working capital financing, trade and cash management solutions, supply chain financing, structured financing in the form of syndications or club deals, as well as collection and payment services.

Wholesale Banking serves top clients that cut across various industries through our unparalleled network of more than 220+ branches, strategically deployed 790+ ATMs, and 5980+ Agents.

Some of these industries include:

- Manufacturing
- Oil and Gas
- Energy and Materials
- Commodities
- Metals and Mining
- Fast Moving Consumer Goods
- Telecommunications
- Tourism
- Healthcare

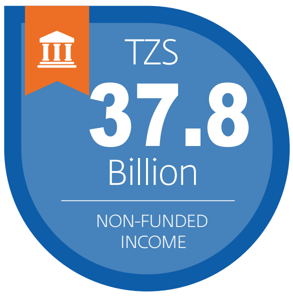
In 2019, Wholesale Banking continued to strengthen its support to key government projects to the tune of more than TZS 1.2 Trillion (USD 450 million).

The department also had a hand in providing solutions to the Agriculture sector by financing cotton, tobacco and cashew buyers, supporting importation of cashew jute bags and providing training to a number of Agricultural Marketing Cooperative Societies (AMCOs) for various commodities through the NMB Foundation for Agricultural Development.

During the year under review, Trade Finance played a pivotal role in facilitating transactions owing to its increased visibility in the market following the awareness campaigns in 2017 and 2018. To further support our clients, strategic trade limits were established with financial institutions in Turkey, China and other Global Banks . This resulted in even higher utilization of related products such as Import and Export Letters of Credit, Post Import Loans, Bank Guarantees, Documentary Collections and Pre-Shipment Financing.

Our business model takes advantage of innovative digital channels to deliver cutting edge products and services to customers. In 2019, the WB team made strides by executing key milestone integrations with a number of Government entities, providing much needed electronic payment solutions. These integrations supported collections for Government hospitals, connected over 160 local Government authorities, provided 24 hours collections for TRA at border posts and for ports and immigration departments. The unit also provided payment solutions to Government institutions and enabled host-to-host capabilities with TANAPA & NCAA strengthening collections from Tourism. The internet banking platform NMB Direct was updated and relaunched in the year.

In the year, the loans and advances book shrunk by 1% from TZS 795 billion in 2018 to TZS 785 billion. Through closer engagements with our clients, a 7% growth in customer deposits was achieved, closing the year with TZS 1,444 billion.



Year-on-Year, Non-Funded Income grew 15% reaching TZS 37.8 billion at the end of 2019 compared to TZS 32.9 billion at the end of 2018. The trade business book closed at TZS 667 billion, up 28% from 2018.

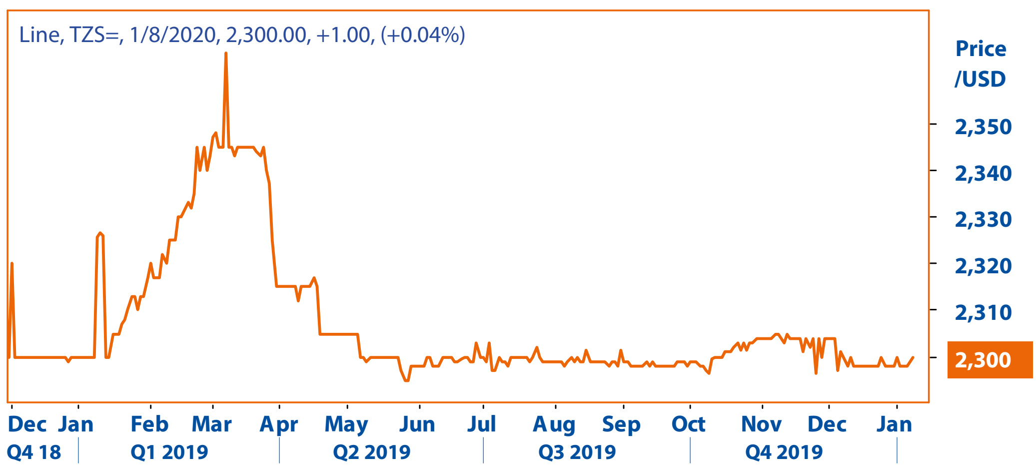
The department managed to minimize risk through efficient portfolio management and further responded to deteriorating asset quality environment that was witnessed in 2018 through focused engagements with clients to better understand their challenges and offer appropriate solutions.

In 2020, the WB aims to continue strengthening its foot print with high value large customers by further developing capabilities in project financing to deliver optimal structured solutions, trade finance to cater to the entire value chain of our customers and leveraging technology to simplify collections and payments for our customers while automating our internal processes for even faster delivery of our services.

3. Treasury

For the year 2019, the Treasury division recorded TZS 111.4 billion in revenues whereby, Foreign Exchange (FX) income stood at TZS 24.5 Billion, 17% higher than the previous year. Main driver for the increase was growth in retail foreign exchange transactions for banks during the first quarter of the year owing to closure of bureaus. Other contributors to this increase was income growth in the Telecom and Manufacturing sectors as well as the Energy, Construction & Mining sectors which experienced. After initially experiencing significant volatility during the first quarter, the local currency was for most of the remaining part of the year trading in a tight 10-shilling range around the USD TZS 2300 psychological level. Major contributors for this stability was a balance between demand for forex to finance imports of capital goods with healthy inflows from exports of cash crops and tourist activities in addition to Bank of Tanzania (BOT) acting as a net buyer of foreign exchange as part of its operational support the market.

USD/TZS EXCHANGE RATE GRAPH FROM Q1 2019- Q4 2019



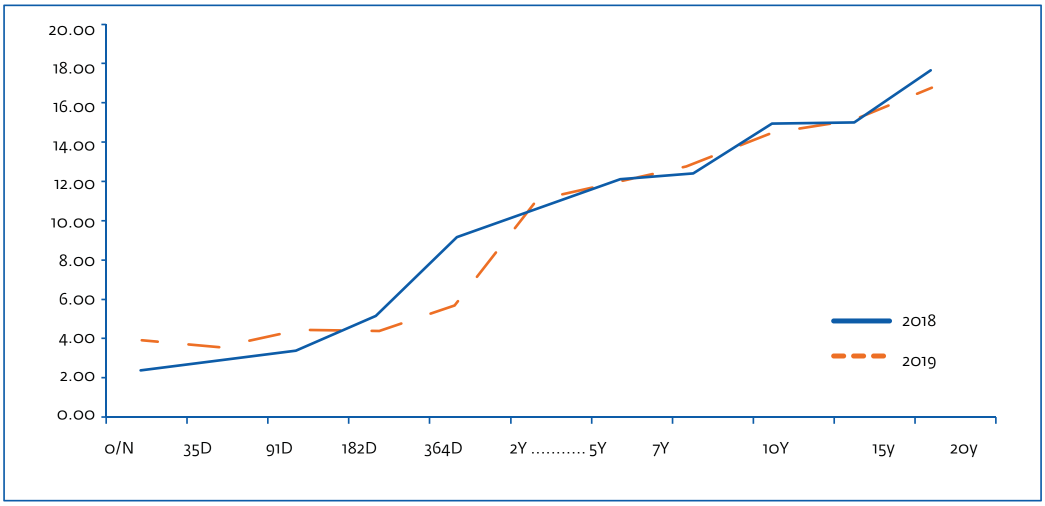
Source: Bank of Tanzania and Reuters

Asset Liability Management (ALM) income for the year declined by 6% year-on-year to TZS 87.6 Billion. The decline was a result of a shift in investment mix from high yielding long term to low yielding short term government securities investments during the first three quarters of the year. This was done for liquidity management purposes to allow growth in loans especially the SWL that witnessed favourable changes in its parameters resulting into high demand. Coupled with this, is higher interest expense incurred from Tier 2 capital from January 2019.

Overall, the overnight market was fairly liquid across the year with credit extension to the public by banks continuing to show a positive year-on-year growth in 2019 standing at 8.9% in November 2019 in comparison to 5% year-on-year growth recorded in November 2018 (BOT Monthly Economic Report, December 2019). In addition, government securities auctions saw a total over-subscription for both T-bills and T-bonds throughout the year standing at 50.5% and 31%, respectively as at end 31st December 2019.

This has then led to a downward pressure on interest rates causing the rates to either remain flat or slightly decrease. However, overnight lending rates increased from 3.09% levels in December 2018 to 3.88% levels in December 2019. This is ascribed to the higher demand in overnight interbank borrowings by banks in 2019 as compared to 2018, having experienced a growth of 24% year-on-year.

TZS INTEREST RATES: DECEMBER 2018 & 2019



Source: Bank of Tanzania and Reuters

Liquidity

The liquidity ratio closed the year strong with a 38% LAR. This is well above the minimum regulatory requirement of 20% providing the bank with a solid base to meet customers' needs in 2020 and beyond.

In achieving the Bank's Vision 2020 of diversifying its revenue streams, the bank successfully completed setting up the Securities Services and Transaction Advisory units during the year. The unit has since on-boarded customers as well as worked with the Capital Markets and Securities Authority (CMSA) to raise public awareness on its services. Moreover, the Transaction Advisory unit together with the retail team successfully raised TZS 83.4 billion during the third tranche issuance of the NMB Bond in June 2019; the bond achieved a subscription level of 333%. The bank has also been an active player in the secondary market at the Dar es Salaam Stock Exchange through the Bond Trading desk.

4. Technology & Digital Transformation

Innovation & Development

Our customers are the inspiration behind everything that we do. We use Human Centred Design to recognize that every individual and every business has different needs and aspirations. This allows us to discover and empathize with our customers by exploring, conceptualizing, researching and clearly understanding their needs. Our innovative products and services across the spectrum leverage technology to serve these different needs. At the core of this endeavour to constantly innovate and transform is our driving philosophy to be ready not only to embrace but also to shape the future.

Bancassurance platform

A fully fledged platform which facilitates banc-assurance services including: insurance products and insurance benefits. The platform will serve both NMB & non-NMB customers. Modules implemented include: customer onboarding, claims, underwritings, commission collections & payment

Host to Host

Is an automated solution for secure electronic data transfer between banks and their corporate clients. This solution secures the transactions that the clients do and eliminates manual interventions. In 2019, TZS 551 billion was channeled via host to host.

IFRS 9 & CREDIT platform

The platform allows automation of credit related processes and calculation of NPL/PAR which results into improvement in provisions, loan history recording and impairment accuracy. Modules developed include: Collateral management, Customer unique Identifier (CIF) merging, and NPL/PAR calculator.

Integrations with banking payment system

We have continued to be on the forefront to ensure we offer integration solutions to a number of our clients for them to enable their customers do payments in our platforms.

Fanikiwa Loan

To extend our product offering we developed a solution for our micro & small entrepreneurs called Fanikiwa Loan, which allows customers to access loans ranging from TZS 500,000 up to TZS 5 million.

Technology Services, Channels & Applications

To support our digital strategy and enhance our customers banking experience, NMB embarked on the implementation of various digital banking technologies to provide 24/7 banking services.

One of the major digital initiatives in the year was launching a new Internet Banking platform (NMB Direct) to replace the old internet banking application. NMB Direct offers secure and convenient features for both retail and corporate customers which allows them to perform exclusive banking activities that are accessible within our banking halls, such as Trade finance, Global Banking, Standing Instructions, Online Bills payments and various fund transfer services to Mobile Network Operators (MNOs) , Banks, and other international financial institutions.

To further support the Government payments and revenue collection, NMB introduced flexible payments of government's bills in all the self-service channels, and recently the bank enabled bills payment on Point of Sales (POS), where physical cards are used for paying bills against issued control numbers. This aims to extend a cashless and seamless service experience at all our touch points.

Technology Infrastructure & Cybersecurity

In embracing digital transformation, the bank continued to enhance its state of the art technology infrastructure including a tier 3 Data Centre responsible for delivering 99.99% uptime services to customers as well as supporting the bank in delivering new digital products and services. This is in line with a properly designed, well-tested and implemented Disaster Recovery strategy of the bank through a secondary Data Centre.

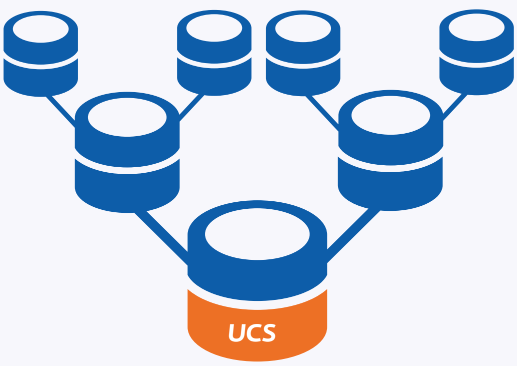
The bank optimized operational efficiency in 2019 using Unified Communication System (UCS) in all branches and zonal offices enabling communication among staff and customers. Technology has also been used to improve seamless service provision to customers using self-service calls in the contact centre.

Operating in a cost efficient manner was also a major focus in 2019, and the bank managed to operate efficiently and realized significant cost savings from technology infrastructure.

Following the recent global cyber threats, Cybersecurity has been an important agenda to the bank. In 2019, the cybersecurity processes and technologies implemented by the bank were able to detect and prevent all the attempted cyber-attacks, ensuring customers' trust whilst complying with International Standards.

The annual independent reviews conducted by both the regulator and external auditor and particularly the technical penetration testing conducted by PWC provides reasonable assurance in the cybersecurity state of the bank.

The bank optimized operational efficiency in 2019 using Unified Communication System (UCS) in all branches and zonal offices enabling communication among staff and customers.



5. Credit

After a number of challenges in year 2016 through 2018 which included the impact of adopting new International Financial Reporting Standard number 9 (IFRS 9), the bank started experiencing relief in terms of loan book quality especially on impairment in 2019.

Credit Department in collaboration with other stakeholders implemented a number of initiatives geared towards improving the quality of our loan book. Implementation of IFRS 9 system, Collateral Management Tool, PAR/NPL tool and intensive collateral remediation exercise have been a game changer having significantly reduced our impairment number year on year.

Although the NPL ratio increased from 5.9% in 2018 to 6.7% in 2019, it remains well below the industry average of 10.7% but above the recommended limit of 5%. The increase in NPL ratio is partly due to legacy issues from as far as 2017, general market conditions and purposeful slow pace of portfolio growth (especially Corporate). Our objective is to improve the NPL ratio to below the 5% benchmark.

The task ahead is to capitalize on the good performance, with continued improvement in credit structuring, evaluation and monitoring, supported by a robust automated end to end credit processing system and customer risk rating system.

The Special Assets Management (SAM) department has been restructured with a 'fit for purpose' structure and headcount during the year to effectively manage and provide focused attention to clients under financial difficulties. As a result, improvements have been noted in collections from bad and doubtful debts; collectively surpassing the previous year's performance by 21%. The new structure was completed towards the end of the third quarter and all strategies are set to take year 2020 performance to new heights.

Our Loan Centre department remained stable and focused on its core roles of centralized mass-market loans, monitoring and control as well as collections thereof.

The centre manages consumer loans which represent **62%** *of the total loan book.*

SWL loan portfolio in particular has reported a much better quality (PAR and NPL) in the year under review compared to 2018.

6. Human Resources

Employee Engagement Forums (SIKIKA Forums) were launched during the year to fill the gap left by the absence of a trade union. These forums have provided a consultation platform for both, unionized and non-unionized staff. They also facilitate two-way communication between employees and management where both people and business related matters can be discussed. Numerous people and business issues have been resolved through the forums hence fostering a good environment for staff and the business to flourish.

In August 2019, the Bank approved the operationalization of new Human Resources Policies following comprehensive management review of the previous Human Resources Policies. Substantial changes were made which further entrenched a performance driven culture by re-defining key aspects that drive business performance and increase staff and line manager accountability that in turn promote overall business growth and profitability.

The flexible working hour's guideline was approved and implemented during the year. The guideline was developed to provide flexible working arrangements that suits the changing business demands whilst addressing flexibility for enhancement of the Bank's business growth and productivity. It will also allow employees to achieve a better work-life balance which results to improved productivity.

Through capacity building of internal (local) staff and recruiting new staff with required competence, we were able to reduce the number of consultants in the Bank. A total of five consultant positions were dissolved during the year which resulted into a significant cost saving.

In line with the Bank's strategy of having a transformed culture that fosters innovation, embraces technology and creating conducive environment for staff development and growth, leadership training was rolled out to all Line Managers during the year.

The following frameworks were put in place to ensure that the Bank's employees are equipped with competencies, skills and knowledge; and that talents and successors are nurtured in the right path to support individual goals and the Bank's vision:

- Talent Management Framework – to facilitate and promote the achievement of the Bank's objectives by identifying, attracting, developing, optimizing and retaining talents across the Bank. This helps the Bank to save time and costs involved in the hiring process.
- Succession Planning Framework - to foster and promote the continual development of employees and ensure that key positions maintain measure of stability, thus enabling the Bank to achieve business objectives.
- Competency Management Framework (A Guide for the Branch Network) – to link individual employee performance and the Bank's goals. It helps to identify the required knowledge, skills and attributes that employees need in order to perform their jobs effectively.
- Mentorship Framework – This is a valuable tool in the development of our people. It is useful whether an individual wants to enhance a specific business skill or to improve a personal objective such as increasing self-confidence, improving assertiveness etc. It helps the Bank to get the best from employees, which in turn boosts overall performance

7. Risk and Compliance

2019 was a busy year for the Risk and Compliance functions respectively. A lot of key milestones were achieved during the course of the year that heralded further progress for the bank on its journey to a higher maturity level of its Enterprise Risk Management (ERM) framework. These milestones were financial as well as non-financial in nature, with the common thread between them being the achievement of enhanced regulatory compliance and the creation of more value for our various stakeholders i.e. customers, staff, and shareholders.

The following are some of the key achievements that were recorded in 2019:

Driving Efficiency and Automation:

1. Completion of the IFRS 9 Automation project
2. Completion of the acquisition of a robust Operational Risk system for the bank
3. Completion of the new fraud monitoring system installation project which allows for more real-time interventions to detect and interdict suspected fraudulent transactions

Providing Enhanced Risk Insights

1. Implementation of a Data Cleanup and Management Program
2. The doubling of our stress-testing frequency to a semi-annual instead of an annual basis to allow the Bank to take stock of its capital and resiliency buffers on a more frequent basis
3. The 2019 revision of our Risk Appetite Statement – in close consultation with the Board, Management and Business Units – saw improvements in our risk acceptance, tolerance and monitoring framework
4. The Risk and Compliance Function was also responsible for conducting a number of training clinics both at HQ and within the branch network aimed at enhancing increasing risk awareness and reducing operational losses

Strengthening Governance and Improving our Focus on NMB Values

1. The review of the Bank's governance framework to streamline and improve efficiencies, reduce overlap and redundancy between the various governance committees in the bank, and push greater decision making authority to mid-level management as and where appropriate. A new framework was ultimately proposed and approved by Management with real gains to show as a result.
2. Another area of focus for 2019 was refreshing our NMB Code of Conduct for staff, including a refresher of the Insider Trading policy and procedures. Ongoing efforts are underway to also improve the various Whistle-blowing Channels and processes as part of our NMB Tokomeza Fraud initiative.
3. Another area of focus for 2019 was in the area of staff mandatory trainings and annual declarations. We continue to see an impressive number of improvements in this sphere.

Strengthening Regulatory Compliance

Regulatory Compliance is always high on the bank's agenda and 2019 was no different and we managed to make additional strides in this space with regards to how we adhere to various local and extraterritorial regulations and requirements. Achievements include:

1. Implementation of new European Union General Data Protection Requirements (GDPR) –which is a project that NMB implemented to ensure that the bank is compliant with data protection requirements for EU individuals and entities.
2. Recertification from our correspondent banking partners of fully compliant Volcker Rule status as per TOTUS exemption requirements.
3. Timely implementation of over 15 new Regulatory changes that occurred within the year. Additional enhancements were also made to our sanctions screening and KYC processes for all risk categories of customers and non-customers as well (walk-ins).

8. Internal Audit

Positioning

The Internal Audit Function (IAF) has dual reporting lines; functionally it reports to the Board of Directors and administratively to the Managing Director. The Function is led by the Chief Internal Auditor who is supported by 34 auditors. The IAF team is well diversified in terms of professional qualifications, age and gender. The IAF helps NMB Bank Plc to accomplish its objectives by independently bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, internal controls, and governance processes. The Function provides assurance and consulting activities to the Board and Senior Management through execution of risk based audit work and continuous business monitoring.

Internal Audit Mission

The mission of NMB Internal Audit is to enhance and protect NMB Bank Plc value by providing risk-based and objective assurance, advice, and insight.

Internal Audit Process and 2019 Performance

The NMB Internal Audit Function has adopted a Risk-Based Audit approach where the Annual Audit Plan is driven by a robust risk assessment. The Annual Audit Plan takes into consideration the results of risk assessment, expectations of the key stakeholders, NMB business strategy, emerging risks, and regulatory requirements. In addition, the plan remains flexible to ensure that emerging risks are taken into consideration and incorporated into the assurance activities.

The IAF performed the audits in 2019 based on the Annual Audit Plan approved by the Board of Directors and in line with the International Professional Practice Framework (Standards) issued by the Institute of Internal Auditors (IIA). The IAF reported to the Board and the Bank of Tanzania (BOT) on the progress made on the execution of the audit plan and significant audit issues identified on a quarterly basis. The Internal Audit Function continued to utilize technology and Data Analytics in the audit process in order to remain relevant and provide more insight to the Board and Management. The Function continued to play a commendable role in the provision of assurance and improvement of control environment within the bank. The IAF completed ALL audits planned for the year 2019 and provided value add and insightful recommendations to Management and the Board.

Summary of Insights on Data Analytics

1. Customer Information (KYC)

- KYC mandatory information

2. Income Computation

- Recovery of uncollected revenue

3. Reconciliation Process

- Process re-design and increased efficiency
- Identification of fraudulent transactions

4. Tax Computation

- Enhanced tax computation

5. Fund transfer

- Regulatory compliance
- Revenue collection

9. Marketing

The department focuses on providing marketing strategies which are in line with NMB's business goals by emphasizing on deposit mobilization, revenue generation while ensuring operational efficiency. Focusing on key areas such as campaigns, ensuring customer engagements through various platforms and providing the branch network with the appropriate tools to serve customers in various touch points.

Marketing enforces NMB's brand image in the market by ensuring the bank is positioned as a Tanzanian bank that is evolving and striving to meet customers' needs through digital solutions. NMB's brand perception has changed from being perceived as a payment factory into a fully-fledged commercial bank that provides quality financial services and enables customers to do banking conveniently through various NMB channels.

Part of the brand image focus is to increase visibility of the NMB brand in the market at all customer touch points such as branches, Wakalas, Cash Collection Points across Tanzania including airports and borders. We continue to improve the branches' look and feel by conducting frequent checks and replacements as well as ensure the branding is up to standard.

In 2019, the department continued to provide various platforms for the business to sell products and services and connect with customers. These key activities also include training seminars for SME/MSE customers, small miners and wakalas in various regions. These engagements give us the opportunity to receive feedback from customers and learn of their challenges first hand which enables us to provide better financial solutions and improved services.

Key campaigns launched

Floti Fasta Tshs NMB WAKALA Karibu yako zaidi

Floti Fasta (Wakala loan): A tailor-made credit facility designed to support NMB Wakala float needs. It enables agents to access float instantly through their mobiles phones. Through this easy loan access, NMB Wakalas across the country can now continue to seamlessly and conveniently service their customers better.

LIPA ULIPO!

Government Revenue collection (Lipa Ulipo): Create awareness of the various NMB channels where customers can make government payments.

Customers are able make payments for

Tax | Immigration | Agriculture Produce Levies | Land Payments

fast and easy through

NMB Wakala | NMB Direct (Internet Banking) | NMB Mkononi

BOND Over & Beyond

TZS **83.3** Billion

2,303 Applications

NMB Bond: NMB Bond sought to raise at least TZS 25 Billion with a green shoe option of up to TZS 15 Billion as approved by the Capital Markets Securities Authority (CMSA). The campaign was promoted in various media channels and supported by the network in the branches whereby 2,303 applications were received worth TZS 83.3 Billion and oversubscribed by 333%.

KAMILIKA WITH AFYA LOAN
LOAN UPTO 5B

Afya Loan: In partnership with the Medical Credit Fund (MCF), the bank launched a loan product for private health care facilities that allows them to access working capital and capex facilities of up to TZS 5 Billion for the purpose of providing improved health care services to the public efficiently and effectively.

Masta BODA

MastaBoda: In partnership with Mastercard, the payment solution was introduced and launched to enable customers to make payments for bodaboda transportation conveniently on their mobile phones, while promoting a cashless society and providing financial inclusion for bodaboda riders.

NMB mkononi

NMB Mkononi: The bank repositioned its mobile banking platform; making it more relevant in the market by rebranding NMB Mobile and KLIK to NMB Mkononi. The rebranding was launched with a digital campaign aimed to educate customers on the mobile banking platform and drive usage on both USSD and the App.

Corporate Social Responsibility

With established strong alliances and amplified sustainability to impact both within and outside the bank, leading to the realization of first-of-many sustainability initiatives.

CORPORATE SOCIAL RESPONSIBILITY

Overview

Our Corporate Social Responsibility (CSR) continues support and serve the diverse community in Tanzania. We have streamlined and embedded CSR processes and action plans in our operations. In 2019, the CSR Committee approved a comprehensive CSR standard guideline procedure and Terms of Reference to improve compliance, accountability and elevate our commitments and ensure that we are in line with our strategic goals.

Over the years, our strategic approach to community matters has evolved as our business has grown. Today our approach is sharpened through extensive assessment, active engagement with stakeholders and the community that we serve, a commitment that ultimately enhances the value of our business.

The CSR Committee has expanded the quorum of the Committee members to ensure that we have more diversity and engagement in CSR issues. The Committee continues to review, enhance our strategic plans and ensure alignment of NMB Bank's CSR policies, practices, and activities with NMB Bank's CSR Strategy.

Our CSR is deeply engaged in creating community values and dedicated to embracing goals which demonstrate our sustainability commitment, that are aligned with three pillars: education, health, and financial inclusion through the allocated 1% of profit after tax for CSR.

Key focus in 2019

We have a longstanding partnership with the community and the Government in general by being involved in a diverse range of social and economic activities that serve broad community audiences. Our aim is to continuously strengthen our performance and create our sustainability strategy anchored in three pillars-financial inclusion, education and health.

EDUCATION

Overall goal: To help create and enhance conducive learning environments for children to access education and stay engaged in schools so that they can fulfil their future goals and dreams.

In 2019, CSR focused on education programs and initiatives that made a positive impact in Primary and Secondary schools across the country addressing challenges of inadequate school desks and laboratory stools. Students with disabilities were supported with learning aid devices as one of our approach in creating the right conditions and promoting equal access to education for all.

Key results in 2019

- Over TZS 1 billion spent on providing over 12,000 school desks to 207 primary and secondary schools in the country benefiting over 49,000 students countrywide
- Provision of laboratory stools as well as gas systems for 9 secondary schools
- 165 classrooms constructed to roofing level

HEALTH

Overall goal: To ensure health facilities are available for our customers, stakeholders and our communities by providing complete set of hospital beds, delivery beds, and medical kits.

The provision of health services in Tanzania is a joint responsibility and it is important for the bank to work together with the government to improve the health sector and ensure delivery of quality health services. As a good partner, NMB Bank has always believed in touching and making a difference in people's lives by providing hospital beds, delivery beds and medical kits to health facilities that are in need especially in rural areas.

Key results in 2019

- Over TZS 210 million spent on complete sets of hospital and delivery beds to 42 hospitals
- 45M was spent to support 5 special ICU beds for Neonatal Intensive Care Unit at Muhimbili National Hospital and 10 normal hospital beds for Mloganzila Hospital
- Heart Medical kits for 5 kids from poor families in need of open heart surgery at Jakaya Kikwete Cardiac Institute

COMPUTERS

In this era of science and technology, Government Institutions are moving towards digitization and automation of processes through use of computers. Based on existing business relationship with the government and its related institutions, the bank donated 40 computers to the Ministry of Lands, Housing and Human Settlements Developments, President Office, Regional Administration and Local Government to improve service delivery, effectiveness and work efficiency. We however continue to delivery computers to primary and secondary schools in an effort to strengthen the learning of ICT subjects to schools we committed.

FINANCIAL CAPABILITY

Overall goal: To foster financial knowledge, skills, attitudes and behaviours of children/youth helping them to understand the importance of saving and equiping them to act with confidence in financial management through Wajibu program.

Financial Capability is a priority for the Government and the Bank as stipulated in the National Financial Education Framework (2018-2022) with objective to boost industrialization, improve people's wellbeing to their families and increase investment opportunities and grow the economy. NMB continues to not only implement financial capability initiatives and complementary services through Jifunze, Jipange and Wajibika sessions that promote the uptake of Wajibu products (NMB Mtoto Account, NMB Chipukizi Account and NMB Mwanachuo Account) but also building the financial cornerstone and resilience for customers by promoting financial inclusion to all segments.

Key results in 2019

- Since inception to-date the Wajibu proposition has reached more than 60,000 young people across the network and over 600 facilitators have signed up as Wajibu facilitators to help deliver the sessions in schools.

The following initiatives were implemented in 2019:

- **Saba Saba Exhibition:** The bank participated at the Saba Saba exhibition and had a Wajibu corner providing financial capability sessions to parents and youth, offered free account opening of NMB Mtoto and NMB Chipukizi accounts.

- **Financial inclusion for All:** NMB Bank works to make financial products and services accessible and affordable to all segments regardless of their economic background. The bank is currently developing a financial management guideline to help customers manage their finances and make informed financial decisions.

- **CSR Campaign:** From 2015 to date, NMB Bank has invested more than TZS 4 billion in community projects particularly on education, health, financial Capability and recovery on natural disasters. At the end of 2019, a CSR campaign was launched with the intention to inform both internal and external stakeholders on how our CSR has made a difference in the community, raise awareness of our CSR programs and educate the community at large on the importance of promoting financial capability.

Natural Disaster Recovery

In 2019, NMB Bank supported recovery efforts for the oil tank explosion in Morogoro by contributing mattresses, bedsheets, gloves, blankets and assorted medicines to support the victims.

Through our disaster relief partner (SUKOS Foundation) we provided camping tents to victims of floods in Sumbawanga and Tanga, tents were also used during the cholera outbreak in Dar es Salaam to support victims who were admitted at Mnazi mmoja and Amana hospitals.

The SUKOS Foundation- a Risk Reduction NGO helps to build resilience by providing disaster-prone communities around the country with life-saving skills, advice and support. Unlike many charities focused on responding to disasters once they have occurred, SUKOS Foundation works throughout the disaster cycle, helping communities prepare for, respond to and recover from crisis.

The aim is to improve living environment and enhance quality of life by reducing exposure to hazards and minimize effects to people and property. A total of TZS 90 million was spent in disaster recovery initiatives bringing relief to the affected communities.

Employee Engagement

The employee engagement programs vary widely, fueled by the passions of our colleagues and the needs of our communities. It is very important for our people to connect with the society that works and lives around them and build relationships with these communities.

Our people engaged in the CSR programs in a number of ways, from volunteering, donating to various charities during Customer Service Week, visiting orphanages, the homeless and the sick, the DONATION BOX initiative to taking advantage of the CSR staff initiative program. Through the CSR staff initiative, NMB CSR matched volunteer employee donations; a total amount of TZS 400 million that staff participated in.

Staff have also been highly active in participation of blood drives in various areas in the country. They responded to the high demand of blood needed at Mloganzila hospital, Bugando Hospital and Ocean Road Hospital by voluntarily donating 204 liters of blood to save thousands of lives.

Through our CSR programs, we aim to keep our commitment to make a difference, collaborate with partners, be future-focused, be accountable and do what's right. We will broaden our partnerships with individuals and institutions operating within our pillars to create a resilient and socially responsible organization.

We are proud of the progress we have made to date and look forward to building on these strong foundations as our business continues to grow.

Corporate Governance

As the largest Bank in Tanzania, we are establishing the highest standards of Corporate Governance across our organisation. With an excellent Board of Directors and the institution of all recommended sub committees, the Bank is compliant with all the necessary statutory requirements.

RISK REPORT

Risk Management

NMB is guided by its values and mission to be the preferred financial service provider in both urban and rural areas in Tanzania. A strong Risk and Compliance Management framework is therefore needed by the bank to underpin this objective.

NMB's Risk and Compliance Management Framework is geared towards four key objectives, namely:

1. Safeguarding of the bank's identity, reputation and sustainability.
2. Protection of profits and growth.
3. Maintaining solid balance sheet ratios
4. To ensure compliance with all regulatory requirements, both local and international.

Profit after Tax (PAT) was significantly higher in 2019 when compared to the previous year. A look at the bank's performance in 2019 also reveals solid liquidity and solvency ratios in excess of regulatory requirements and internal limits. Key performance ratios are generally ahead of or in line with industry averages in Tanzania. Asset quality in 2019 however, continued to remain challenged when measured by the NPL ratio (6.7% versus as of December 2019 compared to 5.9% at the end of 2018). These trends were tied to a number of factors which will be explained further in this section as well as other areas of the annual report.

NMB has adapted an Enterprise Risk Management framework to help the bank deliver on its key targets and objectives while ensuring that risks and uncertainties do not exceed certain limits of tolerance as stipulated in the bank's Risk Appetite Statement. NMB's Risk Appetite Statement is aligned to and is guided by the bank's Medium Term Strategy. It serves and acts as a lower and upper guardrail to ensure that the actions of Management and staff at all times during the course of the bank's operations do not exceed allowable levels of downside risk that could result in material losses to the bank. The ERM process gives reasonable, not absolute assurance against material loss.

The Chief Risk and Compliance Officer at NMB Bank Plc is tasked by Management with the responsibility of establishing and overseeing the bank's ERM framework. Recent milestones and achievements for the bank in 2019 in the Risk and Compliance space include successful Volcker Rule certification under the new TOTUS regime, completion of our General Data Protection Requirements Project (GDPR) in order to ensure conformance with new EU-zone requirements for data protection for EU individuals and entities, along with FATCA re-certification. Additional key milestones and achievements in the Risk and Compliance space during the course of 2019 are listed in further sections of this report.

NMB Risk Profile

NMB defines risk as a potentially negative impact on the bank's value that can arise due to internal processes or future internal or external events. The concept of risk includes the probability that an event will occur and the impact it could have on the bank's results, equity or value. The Principal Risk categories for NMB correspond to those defined by the Bank of Tanzania's Risk Management Guidelines, and consist of Operational Risk, Credit Risk, Liquidity and Solvency Risk, Market Risk, Compliance Risk and Strategic Risk. The following table encapsulates NMB's risk profile and risk management processes and mechanisms.

Description	NMB Risk Profile in 2019	Risk Management Measures
Credit Risk The risk that a borrower will fail to meet their contractual obligations to NMB and the risk that pledged collateral will not cover the claim. Credit risk also includes counterparty risk, concentration risk and settlement risk.	NMB experienced some credit risk-related setbacks in 2019 that saw the end of year NPL ratio climb to 6.7% from 5.9% a year earlier. NMB has a well-diversified and balanced credit portfolio with a low risk profile. Lending to the public consists largely of Salaried Worker's Loans (SWL's), with a growing portfolio of loans to large corporates and small and medium-sized companies with a low to moderate risk level. NMB's NPL ratio in 2019 exceeded the 5 percent threshold as required by Bank of Tanzania guidelines. This can be explained by loan repayment challenges experienced by a selected number of corporate clients and medium size enterprises. On the other hand, the bank's loan impairment figure for 2019 is significantly reduced when compared to the previous year (TZS 100.4 Billion versus TZS 137.3 Billion in the year ago period). This is due to the fact that the bank was able to enhance its collateral-related data quality in 2019, which resulted in significant impairment reductions as per IFRS 9 standards.	Responsible lending is critical to a well-functioning bank. This means taking into consideration each customer's long-term financing needs, ability to repay and resilience. In recent years, NMB has spearheaded a number of initiatives to improve its loan origination and disbursement processes, including automation of credit scoring and centralization of the disbursement process. Turn-around-times and efficiencies have subsequently improved. Through its Special Assets department, NMB works proactively with customers who are facing financial difficulties, within the bounds of the bank's internal and regulatory guidelines. The bank's credit administration and other support functions have also undergone strengthening in recent years. Supporting the bank's lending posture is a clearly drafted and robust NMB Risk Appetite Statement and a strong credit governance framework with various levels of approvals needed for loans of different sizes and complexity. The apex credit decision-making committee is the Board Credit Committee which works with other existing Management committees to review smaller credit applications, loan-related controls, as well as asset quality. Branches also have some discretion to autonomously approve certain credits up to closely monitored internal limits.
Operational Risk The risk of losses resulting from inadequate or failed internal processes or routines, human error, system error or external events. Operational risk also includes legal risk and information risk (i.e. the risk of losses due to insufficient protection of information in terms of confidentiality, accuracy and accessibility).	NMB's Operational Risk profile is stable. Operational risks occur in all businesses. It is not possible or cost effective to try to eliminate all of them. NMB's goal is to minimize the risks given the nature of its operations, strategy, risk appetite and market. Minor losses are a normal part of the bank's operations. The Bank works actively to avoid larger losses and incidents and such events are rare. When they do occur, the Bank always ensures that it has adequate insurance protection in place to deal with any related losses above a certain threshold. In an increasingly digital world, it is important for NMB to strengthen its cyber risk posture and Management is well-attuned to this fact. To minimize IT risk, it is critical that the bank's employees are aware and prepared. Measures are taken on a routine basis to create awareness about the threat of cyber risk for both staff and customers. Measures aimed at continuously strengthening IT processes and routines are also an important focus for Management. Security policies are also updated as threat scenarios change.	NMB has adapted an Enterprise Risk Management (ERM) framework to manage its various risks, including operational risk. The following are some of the measures that the bank is taking within its ERM framework to control this risk. **People** In the realm of people-related operational risk, talent retention and career development are key, as is succession planning for key individuals and roles. Management, through the HR department has robust code of ethics and business conduct policies in place to achieve this. The bank also has strong strategies in place to deal with the threat of fraud, whether internal or external in nature as well as Legal Risk. **Process** The bank has internal policies to manage operational risk and works diligently to prevent incidents and losses from occurring. A variety of tools and measures are deployed as part of the bank's ERM framework, including the use of Risk Control Self Assessments RCSA's), control testing and conformance reviews by the Second Line of Defence, plus risk analyses and reporting with a focus on control improvement. Risk-reducing measures are discussed in the Risk and Compliance Committee (RCC), which is chaired by the Chief Risk and Compliance Officer. The bank also has measures in place to perform control evaluation on a continuous basis and in connection with major changes in operations and product offerings. Through Business Continuity Planning (BCP) the bank is prepared to minimize the effects of incidents as quickly as possible as and when they occur. NMB also has internal policies describing how information should be protected. Based on best international benchmarks and standards and our own risk and threat analysis, we define adequate protection for various categories of information and systems. **Systems** The bank continues to automate its various risk management processes and procedures for better efficiency. One of the key projects of 2019 was the successful completion of our new Governance and Compliance Management software (GCM), which is the bank's new Operational Risk Management platform. Through this new platform, the bank will continue to gain new efficiencies in term of risk reporting, aggregation and visibility for better-informed Management and Board decision-making.

Description	NMB Risk Profile	Risk Management Measures
Compliance Risk Compliance risk is the current or prospective risk to earnings, capital and reputation arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices, or ethical standards, as well as from incorrect interpretation of relevant laws or regulations. Institutions are exposed to Compliance risk due to relations with various stakeholders, e.g. regulators, customers, counter parties, as well as, tax authorities, local authorities and other authorized agencies.	Given its heft and importance as a market leader in the Tanzanian banking industry, NMB cannot afford to be perceived as a bank with sub optimally-managed Compliance and Regulatory risks. As per the bank's Risk Appetite Statement, NMB will always act in an exemplary manner and actively manage threats to its reputation by complying with all laws and dictates of the United Republic of Tanzania as well as Bank of Tanzania and international regulations. NMB will always strive to maintain pristine relations with the full spectrum of its various stakeholders, including customers, counter parties, tax authorities, local authorities and other authorized agencies. Measures taken by Management and the Board of Directors on any given matter will always be aligned with NMB's values.	Compliance Risk is managed via a large number of NMB's Enterprise Risk Management processes, such as the New Product Approval process (NPA). One of the key areas of focus for the bank's NPA process is Conduct Risk and follow through monitoring mechanisms for the same are in place for all stages of the product life cycle Compliance Risk is also an integral part of the customer onboarding and due diligence processes (KYC and CDD). Compliance-related issues and escalations are typically referred to the bank's are Risk and Compliance Committee (RCC) and other Management Committees as appropriate for full and timely resolution. NMB has a robust Compliance Function, overseen by a Head of Compliance who is also the bank's Money Laundering Reporting Officer (MLRO). NMB has a variety of sophisticated tools and processes to review and interdict transactions of a suspicious nature, related to fraud and money laundering. Screening of all transactions, as well as persons and entities who deal with the bank in one way or another is also continually performed. New investments in technology continued to be made in 2019 to ensure that the bank continues to maintain robust screening and transaction detection capabilities.
Liquidity and Solvency Risk Liquidity Risk is the risk that the bank cannot fulfil its payment commitments at maturity. Liquidity risk arises because the maturity structures on the asset and liability sides of the balance sheet do not coincide. Solvency Risk is the risk of bank not meeting minimum capital holding requirements when weighted against its various Risk Weighted Assets, as required by the Bank of Tanzania and other international banking rules and regulations.	NMB's liquidity risk profile is low. The bank maintains a liquidity reserve to ensure its resilience in the event of any disruptions. The reserve consists of balances with the central bank and securities with a high level of creditworthiness that can be pledged to the central bank or divested on very short notice. NMB also closely monitors the gap between the maturities in its liabilities with the corresponding maturities in its assets. The Solvency Risk profile at NMB is low, and reveals capitalization levels for the bank's various Risk Weighted Asset classes in excess of the regulatory minimum of 14.5%. As at the end of 2019 the bank's Tier 1 Capital Ratio (as a proportion of total risk-weighted assets) stood at a healthy figure amount 17%, while the bank's total capital ratio (Tier 1 and Tier II) was 19%.	Liquidity risk at NMB is overseen day-to-day by the Treasury department with close over watch by the Middle Office (Market Risk team). A number of tools are used to control this risk e.g. system limits, dealer mandates etc. There is also close monitoring and tracking of liquidity risk issues in the monthly Assets and Liabilities Committee (ALCO). Solvency Risk is monitored and overseen by ALCO, in addition to other key Management Committees.

Description	NMB Risk Profile	Risk Management Measures
Market Risk Market risk is the risk of losses in on and off-balance sheet positions as a result of adverse changes in market prices i.e. interest rates, foreign exchange rates, equity prices and commodity prices. Market risk exists in both trading and banking book. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book.	NMB's Market Risk profile is low. The predominant risks are interest rate and foreign currency risk that arise from the bank's core business. Although the bank introduced a trading book in 2018 and obtained subsequent TOTUS Exemption under Volcker rules, Market Risk remains low at NMB.	Market risk at NMB is overseen day-to-day by the Treasury department with close over watch by the Middle Office (Market Risk team). A number of tools are used to control this risk e.g. system limits, dealer mandates etc. There is also close monitoring and tracking of market risk issues in the monthly Assets and Liabilities Committee (ALCO) and other key Management Committees.
Strategic Risk Strategic risk is the current and prospective impact on earnings, capital, reputation or good standing of an institution arising from poor business decisions, improper implementation of decisions or lack of response to industry, economic or technological changes. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve these goals, the resources deployed to meet these goals and the quality of implementation.	At NMB, strategic risk is viewed from the vantage points of positioning and execution. NMB has a Medium Term Plan (MTP), which calls for the bank to deliver in a number of areas and in line with certain financial and growth targets. These MTP assumptions and targets are periodically reassessed and revalidated in line with changing market trends and developments, and where necessary recalibrations are accordingly done.	Strategic Risk at NMB is at the forefront of Management and the Board's thinking at NMB. The bank is focused on delivering on its Medium Term Plan targets, but also periodically recalibrates some of its assumptions based on market trends and developments. In 2019 the bank remained focused on executing its existing MTP (Vision 2020) while beginning preparations for the development of its next MTP after the Vision 2020 runs it's full course at the end of the year 2020.

BOARD OF DIRECTORS

Margaret Ikongo | Interim Board Chairman

Mrs. Ikongo is an independent consultant in Insurance and risk management having previously worked at the National Insurance Corporation (NIC) and Tanzanian Insurance Regulator Authority (TIRA). At NIC she was the Managing Director and at TIRA she served as a special advisor to the Commissioner of Insurance.

She is an Associate Member of the Chartered Insurance Institute, UK and a Graduate Member of the Institute of Risk Management, UK. Mrs. Ikongo also holds an International Diploma in Enterprise Risk Management, an Advanced Diploma in Insurance, a postgraduate Diploma in Finance Management and MBA (Finance) from the Open University of Tanzania. She serves as a director in various boards in Tanzania and Africa.

George N. Mandepo | Non-executive Director

Mr. Mandepo has 17 years of experience in Tanzania's legal sector and has successfully undertaken several advisory assignments in the field of business operations, primarily in litigation and arbitration as well as other forms of alternative disputes resolutions (ADR). He currently works as Director of Arbitration in the Office of the Solicitor General where he heads a unit that is responsible for handling arbitration both domestically and internationally. He has participated in various sector committees for research, review and or formulation of various legislations and mainly in agricultural and mining sectors.

He has also rendered legal advice in the institutional restructuring and reformation of a number of public institutions. Regionally and internationally, he has been involved in various working groups and consultancies for the preparation of several legal instruments and rendering implementation advise. Mr. Mandepo holds a Masters' Degree in Construction Law (LLM) from the University of Strathclyde and a Bachelor of Laws (LLB) from the University of Dar Es Salaam where he specialized in Company and Banking Laws.

Dr. George Mulamula | Non-executive Director

The founder and CEO of DTBi, the only Tech Incubator/Accelerator supporting entrepreneurship & innovation in Tanzania. Dr. Mulamula is also the Senior Government Advisor on Information Communication Technology (ICT) Entrepreneurship & Innovation for an enabling environment and eco-system for ICT entrepreneurship growth. Prior to that he was the first Principal Deputy Chief Executive Officer (PDCEO) of the Rwanda Development Board (RDB) and Senior Advisor in the Ministry of Commerce & Industry and worked on their SME and Entrepreneurship Policy. Dr. Mulamula was for over 8 years the first Africa Technical Expert in Intellectual Property (IP) Automation with the World Intellectual Property Organization (WIPO), based in Geneva, Switzerland and worked with Sub-Sahara African Governments on the utility of ICT in IP.

He also was a catalyst in transforming the African Advanced Level Telecommunications Institute in Nairobi, Kenya to be a Centre of Excellence while he worked there. For over 15 years he has taught at various Higher Learning Institutions in the region, consulted with international and regional organizations, and also involved in policy formulation for innovation & entrepreneurship in ICT. He has run ICT companies and has written extensively on ICT, Technology Transfer for Sustainable Development. Dr. Mulamula holds a Phd in ICT Technology Transfer and a Masters in Computer Science from the City of New York University.

Christine Glover | Non-executive Director

Ms. Glover was appointed to join the NMB Board of Directors in June 2018. With over 30 years' strategic and operational experience in housing and development finance, she has held several leadership roles in the reputable firms where she was responsible for among other things designing financial housing products for the low-income sector, project managing housing development and structuring institutions such as banks and investment vehicles. Until November 2017, Ms. Glover was the head of development impact funds, a position she had held since October 2007.

Ms. Glover holds a Masters in City and Regional Planning from the University of Cape Town and a Honours degree in Art and Architectural History from the University of South Africa.

Hendrik Reisinger | Non-executive Director

Mr. Reisinger was appointed to join NMB Bank's Board of Directors in June 2019. He is an economist and has over 25 years of experience in fields of banking and risk management, business analysis and investment management.

In 1990, he joined Rabo International and has held positions in Area Management, Food & Agribusiness Research and Corporate Finance. In 2005, he was appointed as Senior Investment Manager, and in 2016 as Head of Investments, a position he held until 2018. As such he was responsible for negotiating and structuring the acquisition of minority equity participations in leading retail banks in China, Mozambique, Zambia, Rwanda and Uganda. In 2018 Mr. Reisinger established his own private company providing financial advisory services and board room services. He is an experienced non-executive director with relevant experience in both Africa and Europe. Mr. Reisinger holds a Master of Science Degree in Economic History from the University of Groningen and a Master of Science Degree in Business Economics from the University of Groningen.

Leonard C. Mususa | Non-executive Director

Mr. Mususa was appointed to join the NMB Board of Directors in June 2015. He is an Accountant by profession, registered with the National Board of Accountants and Auditors as a Fellow Certified Public Accountant (Tanzania) and a Fellow of the Association of Chartered Certified Accountants (UK). Mr. Mususa retired from PricewaterhouseCoopers (PwC) in June 2014, where he worked for 36 years and gained experience in various areas, including transaction services, corporate governance, financial reporting, risk management and control. He served as Country Senior Partner of PwC (Tanzania) for 14 years. He also served in other roles as Head of Assurance Risk and Quality in the PWC Africa Central region (covering 9 countries) and Head of Risk, Independence and Quality in East Africa Market Area (covering 6 countries). Mr. Mususa also holds directorships in diverse companies in financial, manufacturing, commerce and media sectors, including Tanzania Breweries Plc, Nation Media Group, Reliance Insurance Tanzania Limited and AutoXpress Tanzania Limited.

Mathias Magwanya | Non-executive Director

Mr. Magwanya has twenty years' experience in auditing and has carried out various due diligence assignments. He holds a Bachelor of Commerce in Accounting from the University of Dar es Salaam and Master of Business Administration in Corporate Management from Mzumbe University.

He currently works as Chief Internal Auditor of TANROADS and is a member of the Institute of Internal Auditors - Tanzania. Mr. Magwanya was appointed to join the NMB Board of Directors in June 2018.

Lilian Komwihangiro | Company Secretary

Mrs. Komwihangiro joined NMB in 2003, having previously worked as a legal consultant for Maajar, Rwechungura and Kameja Advocates, FK Law Chambers and PricewaterhouseCoopers. She has ten years of working experience in the legal field and is also an Advocate of the High Court of Tanzania.

Lilian holds a Bachelor of Laws degree and Master of Laws in commercial and business law, both from the University of Dar es Salaam. She also holds an MBA in Executive Management from the Eastern and Southern African Management Institute (ESAMI).

CORPORATE GOVERNANCE

Overview

We believe in adopting the best practices in Corporate Governance. The Board, Management and NMB employees are committed to upholding the core values of transparency, integrity, honesty and accountability, which are fundamental to the attainment of good governance and excellent performance in any organisation.

Good corporate governance principles are accepted as the drivers of improved corporate performance throughout the world. Responsibility for overseeing the proper implementation of good corporate governance rests with the directors.

The Board of Directors

Functions

The Board is responsible and accountable for providing effective corporate governance, direction and control of the company. The directors have a duty to exercise leadership, enterprise, integrity and judgment based on transparency, fairness, accountability and responsibility.

The Board is responsible for appointing Management, adopting a corporate strategy, policies, procedures and monitoring operational performance including identifying risks impacting the company. It is also responsible for managing good relationships with all stakeholders.

Composition

In 2019 the Board of Directors was made up of eight non-executive directors with a mix of skills, experience and diversity.

Appointment

The appointment of directors is regulated by the Memorandum and Articles of Association of the Company, as well as the guidelines issued by the Bank of Tanzania (BOT) and the Capital Markets and Securities Authority, pursuant to the Banking and Financial Institutions Act 2006 and the Capital Markets and Securities Act 1994, respectively. Shareholders with more than a 10% stake in the share capital of NMB are entitled to nominate one director for every 10% of the shares held by them. The names are presented to the AGM for ratification and appointments are submitted to BOT for approval.

All non-executive directors are subject to retirement by rotation and re-election by shareholders periodically in accordance with the articles of association. Rotation is staggered to ensure continuity of experience and knowledge. The number of terms an individual may serve is not limited. The Companies Act 2002 requires that directors retire at the age of 70 years, however there is a provision in the law for re-election.

Resignations

In the year 2019, Director Jos van Lange resigned from the Board. Directors George Mandepo and Rik Reisinger were appointed and Director Leonard Mususa re-appointed to the Board at the AGM in June 2019.

Board meetings

The Board meets quarterly, with additional meetings convened as and when necessary.

During 2019, the Board and its committees met to discuss and decide on the business activities. The Board Committees act on behalf of the Board to direct the bank effectively and accelerate the decision-making process. The four Board committees are: the Board Executive Committee (BEC), the Board Audit, Risk and Compliance Committee (BARCC), the Board Human Resources and Remuneration Committee (BHRRC) and the Board Credit Committee (BCC).

The number of meetings held over the course of the year is given in brackets:

- Board of Directors (8)
- Board Executive Committee (4)
- Board Audit Risk and Compliance Committee (10)
- Board Human Resources and Remuneration Committee (4)
- Board Credit Committee (12)

The following table shows the number of Board and Committee meetings held during the year 2019 and the attendance by directors:

DIRECTORS	Board (8)	BARCC (10)	BCC (12)	BHR&RC (4)	BEC (4)
Prof. Joseph Semboja*	7	n/a	n/a	n/a	3
Mr. Jos Van Lange**	2	3	n/a	n/a	n/a
Mr. George Mandepo	4	n/a	4	n/a	n/a
Mrs. Margaret Ikongo	8	6	2	4	2
Mr. Mathias Magwanya	8	4	n/a	3	3
Dr. George Mulamula	8	10	7	n/a	n/a
Mr. Leonard Mususa	7	10	7	n/a	n/a
Ms. Christine Glover	8	n/a	11	4	4
Mr. Hendrik Reisinger	5	n/a	5	2	n/a

n/a – not applicable

* Prof. Joseph Semboja retired on 4 February 2020

**Mr. Jos Van Lange retired on 15 June 2019.

DIRECTORS PAYMENTS MADE IN 2019

		Directors' Fees	Sitting Allowance	Total Expenses
1	Prof. Joseph Semboja	18,055,000	13,715,000	31,770,000
2	Mr. George Mandepo	4,285,000	6,825,000	11,110,000
3	Mrs. Margaret Ikongo	16,875,000	27,954,000	44,829,000
4	Mr. Leonard Mususa	16,875,000	26,107,000	42,982,000
5	Mr. Mathias Magwanya	16,875,000	21,433,000	38,308,000
6	Dr. George Mulamula	16,875,000	23,906,000	40,781,000
7	Mr. Hendrik Reisinger	7,577,250	3,540,000	11,117,250
8	Mr. Jos Van Lange	7,577,250	3,540,000	11,117,250
9	Ms. Christine Glover	15,154,500	7,080,000	22,234,500
		120,149,000	**134,100,000**	**254,249,000**

Directors Evaluation

The Board itself regularly undergoes self-assessment and evaluation under the guidance of an independent party in order to improve the internal Governance of the Board and its Committees.

Training

Training is provided in order to ensure that the Board keeps abreast with current developments in the market. In 2019, a number of trainings were held for the Directors. These included Integrated Reporting, Strategic Management and Insider Trading and Conflict of Interest.

Relationship with Auditors

The Board Audit, Risk and Compliance Committee and the full Board held meetings with the external auditors to discuss these auditors' terms of engagement, duties and various other issues during the year under review.

Board Committees

Board Executive Committee

The Committee assists the Board in fulfilling its oversight responsibilities in accordance with the Articles of Association of the Company. The Committee exercises the powers of the Board in managing the business and affairs of the Company during the intervals between Board meetings, when action by the Board is necessary or desirable but convening a special Board meeting is not warranted or practical.

Board Audit, Risk and Compliance Committee

The Committee assists the Board in fulfilling its oversight responsibility relating to the integrity of the bank's financial statements and financial reporting process, systems of accounting and financial controls; the annual external audit of financial statements; performance of the Internal Audit, Risk and Compliance Functions; compliance with legal and regulatory requirements; and compliance with International Financial Reporting Standards and applicable laws, rules and regulations.

Board Human Resources & Remuneration Committee

The primary function of the Committee is to assist the Board of Directors in fulfilling its oversight responsibility to shareholders by ensuring that the bank has coherent remuneration policies and practices that fairly and responsibly reward executives and staff having regard to performance, the law and the highest standards of governance.

Board Credit Committee

The Committee assists the full Board in providing oversight in the management of credit risk in line with best global practice and in compliance with BOT regulatory requirements. Specifically, the Committee is responsible for reviewing and approving the credit policy of the Bank as well as reviewing and approving credit applications above a set threshold upon the recommendation of management. It also monitors and considers matters that may affect the present and future quality of the Bank's credit risk management.

Company Secretary

The company secretary is Mrs Lilian Komwihangiro and she provides support and guidance to the Board in matters relating to governance and ethical practices. She is also responsible for induction programs of new directors, keeping board members abreast of relevant changes in legislation and governance principles.

Communication with Shareholders

The company recognizes that effective communication with stakeholders is essential to good governance. Following the publication of its financial results, it engages with investors to present the results and answer questions accordingly.

Shareholders are encouraged to attend the Annual General Meeting to be held on Friday, 5th June 2020 at Julius Nyerere Convention Centre, Dar es Salaam and participate in the affairs of the company.

Corporate Information

Our valued behaviours demand that we do things differently, in order for us to succeed.

EXECUTIVE MANAGEMENT

Ruth Zaipuna | Ag. Managing Director

Mrs. Zaipuna joined NMB Bank from Standard Chartered Bank as Chief Financial Officer, towards the end of June 2018. The NMB Board of Directors has recently appointed Ruth as Acting Managing Director for NMB.

Ruth started her career in 2002 at PricewaterHouseCoopers (PwC) where for a decade she specialized in the audit of banks and other financial institutions. At PwC, Ruth rose through the ranks to the level of Associate Director. Ruth demonstrated great professionalism and technical ability in her work and she was entrusted to lead some of the most complex assignments of the firm.

Ruth left the firm in August 2011, to take up the position of the Executive Director Finance and Chief Financial Officer at Standard Chartered Bank. In July 2017, Ruth took on additional responsibilities combining her role in Tanzania with that of Business Finance Lead for the East African cluster, overseeing and leading the Bank's business finance activities in Tanzania, Kenya and Uganda.

Ruth is also an Independent Non-Executive Director for Tanzania Portland Cement Company Limited (TPCC), the leading cement producing company in Tanzania and listed on the Dar es Salaam Stock Exchange.

Ruth is an Associate Certified Public Accountant (ACPA (T)). She holds a Master of Business Administration (MBA) in Finance and a Bachelor of Commerce (B.Com) degree in Accounting both from the University of Dar es Salaam.

Benedicto Baragomwa | Ag. Chief Financial Officer

Mr. Baragomwa is a seasoned Auditor, boasting over 12 years of experience in audit, financial risk management and corporate governance consulting in the banking sector. He started his career in 2008 with KPMG East Africa as an Auditor specialized in financial services assurance, where he grew through to Senior Auditor. In 2012, he joined Barclays Bank as a Risk & Control Assurance Manager responsible for risk management and controls.

Benedicto joined NMB Bank in 2014 as a Senior Audit Manager, where he played a major role in the transformation of the function to be the leading audit shop in the market until November 2017, when he was appointed as the Acting Chief Internal Auditor. He was then promoted to Head Internal Audit in June 2018.In November 2019, management and the Board appointed him as the Acting Chief Financial Officer.He is a beneficiary of the NMB's talents development program that is in partnership with Rabobank whereby he was attached at Rabobank Netherlands in 2016.

Benedicto is an Associate Certified Public Accountant (ACPA) (T) and Certified Information Systems Auditor (CISA). He holds a MSc. Economics and Finance from University of Bradford (UK) and a First Class Bachelor's degree in Accounting & Finance from Mzumbe University. He is a professional member of the National Board of Accountants and Auditors Tanzania (NBAA), The Institute of Internal Auditors (IIA) and ISACA.

Lilian Komwihangiro | Head of Legal and Company Secretary

Mrs. Komwihangiro joined NMB in 2003, having previously worked as a legal consultant for Maajar, Rwechungura and Kameja Advocates, FK Law Chambers and PricewaterhouseCoopers. She has ten years of working experience in the legal field and is also an Advocate of the High Court of Tanzania.

Lilian holds a Bachelor of Laws degree and Master of Laws in commercial and business law, both from the University of Dar es Salaam. She also holds an MBA in Executive Management from the Eastern and Southern African Management Institute (ESAMI).

Aziz Chacha | Treasurer and Ag. Chief Wholesale Banking

Mr. Chacha joined NMB as the bank's Treasurer in September 2011 from Barclays Bank Tanzania where he had worked as the Country Treasurer. He holds an MBA from Manchester Business School of the University of Manchester, United Kingdom and currently serves in the Tanzania Bankers Association (TBA) financial markets technical committee. He has a wealth of experience in Treasury risk management, Treasury technology, capital markets/corporate finance, capital planning and balance sheet management and is a certified member of ACI-Financial Markets headquartered in France.

Nenyuata Mejooli | Chief Shared Services

Nenyuata Olekambaine Mejooli a seasoned banker with 20 years' experience in Banking Operations, Operations risk, Quality assurance, and Business process improvement and reengineering.

Nenyuata joined NMB from Standard Chartered Bank in September 2007 as Manager Business process in 2007 and has since held several roles including Senior Operations Manager, Senior Manager Banking Operations and Head of Banking Operations. Prior to her current appointment in June 2018, she was the Head Branch Network in 2016.

She holds a BSc Electronics degree from Bangalore University India and an MBA from Dublin City University Ireland. Nenyuata is also PRINCE 2 Practitioner and holds a leadership certificate from Gordon Institute of Business Science (GIBS), SA. She is certified Board member from ESAMI under Female Future Program Tanzania, cohort 1, a program which aims at preparing Tanzanian women to take higher leadership position.

Pete Novat | Chief Technology and Digital Transformation

Mr. Novat is the Chief Technology and Digital Transformation of NMB responsible for managing technology and innovative products and services across the spectrum leverage technology to serve clients' needs. Pete directs NMB's digital delivery Channel network of ATMs and its award-winning digital banking platform that support millions of NMB's clients, including mobile banking users. Prior to his appointment as Chief Technology and Digital Transformation, Pete was the Chief Operating Officer for 4 years responsible for leading NMB Operations, Shared Services and Technology.

Pete has extensive financial services experience, having worked in the industry since the late 1990s. He spent 9 years at NBC Bank leading the team of Technology professionals before joining NMB in February 2013.Pete holds a Bachelor Degree (Hon) in Electronics and Communication Science from University of Dar es Salaam and a Certificate of Programme for Management Development (PMD) from Gibson Institute of Business Science (GIBS), SA.

Juma Kimori | Chief Internal Audit

Mr. Kimori joined NMB Bank Plc as the Chief Internal Auditor on 28 May 2018 (to date), reporting to the Board Audit, Risk and Compliance Committee (BARCC) functionally and administratively to the Chief Executive Officer (CEO). Prior to joining NMB Bank, Juma worked with Barclays Bank Tanzania (BBT) as the Chief Internal Auditor (CIA) and Barclays Africa as Regional Director for 7 years. As the Regional Director for Barclays Africa Internal Audit, Juma provided leadership to the Audit teams in Barclays Botswana, Barclays Tanzania, Barclays Zambia, Barclays Mozambique, Barclays Mauritius, Barclays Zimbabwe, and Barclays Seychelles. Juma has more than 13 years cumulative experience on enterprise risk management, leadership, dealing with multiple stakeholders, change management, corporate governance, governance reporting, business skills, and strategy development. Juma has significant experience in the audits of Procurement, Finance, Credit, Payment Operations, Branch Operations, Corporate Governance, and Strategy.

Juma worked with African Banking Corporation (BancABC) as the Country Head of Internal Audit prior to joining Barclays Bank. He started his career in accounting and auditing with PricewaterhouseCoopers in 2006 in the Assurance Lines of Service (Associate to Senior Associate level) where he specialized on financial services audits.

Juma holds a Bachelor of Commerce in Accounting (First Class Honors) from the University of Dar es Salaam and he is currently pursuing Masters in Business Administration at Eastern and Southern Africa Management Institute (ESAMI). He is a member of the National Board of Accountants and Auditors Tanzania (NBAA) as an Associate Certified Public Accountant (ACPA). He is also a member of the Institute of Internal Auditors (IIA) and a Certified Facilitator for the IIA and has experience in delivering Internal Audit professional and Corporate Governance papers both within and outside Tanzania.

Juma is a Certified Director by the Institute of Directors Tanzania (IoDT) and he has been a Board Member of the IIA Tanzania since 2015 (including Deputy Chairman of IIA for 2 years).

Victor Rugeiyamu | Chief Risk and Compliance

Mr. Rugeiyamu was appointed to the position of Chief Risk and Compliance Officer in April 2018. Prior to this appointment he acted in the capacity of the bank's Head of Risk, managing the Risk Department of the bank, a responsibility he had since he first joined NMB in 2009. In his capacity as the Chief Risk and Compliance Officer, Victor is responsible for oversight of the bank's Enterprise Risk Management (ERM) framework as well as the management of the bank's overall risk posture and appetite. He is also responsible for overseeing NMB's Compliance, Market Risk, Enterprise Risk, Operational Risk, IT Risk and Credit Risk teams as well as its Forensics Department.

With almost 20 years' worth of experience working in the financial services industry, Victor has held a number of positions in the brokerage and banking industries, on the commercial side as well as in Compliance and Risk. A native of Tanzania, he began his career in the United States immediately after completing his undergraduate degree where he served as a trader for DLJ/ Credit Suisse First Boston Direct before later moving to banking at Wachovia Bank N.A.

Victor holds a Bachelor of Arts Degree (Honors) in Economics from Belmont Abbey College in North Carolina U.S.A. and an MBA in Finance and Banking from the University of North Carolina at Charlotte U.S.A.

Demetus Kamguna | Ag. Chief Credit Officer

Mr. Kamguna has 20 years' experience in banking and has built a reputation as a guru in credit management (end-to-end credit value chain) He holds BA in Economics and marketing management certificate from University of Dar Es Salaam. He also holds various certificates in Credit Management discipline from various institutions including Damelin School of Banking (Uganda and Zimbabwe), IFS School of Finance (incorporated by Royal Charter), Gordon Institute of Business Science (University of Pretoria) and Connemara Consulting (pty) ltd (for Leadership). Demetus is also a certified credit Trainer for NMB, having done a lot on imparting credit skills to the entire NMB branch network.

His experience spans across five commercial banks having started his career in 1999; before NMB Bank Plc, Demetus worked previously with CRDB Bank Plc, Stanbic Bank Tanzania Ltd (also attached at Standard Bank SA), Barclays Bank Tanzania Ltd and Exim Bank Tanzania Ltd in the capacities of Credit Analyst, Credit Manager, Manager-Credit Evaluation, Senior Manager Credit, Ag. Head of Corporate Credit, Head of Business Banking & SME Credit, Ag. Corporate Credit Director and Head of Retail Credit. Demetus also worked as consultant for International Finance Corporation (IFC) in partnership with Financial Access Capital Partners (FA).

Emmanuel Akonaay | Ag. Chief Human Resources

Mr. Akonaay joined NMB Bank Plc in July 2014 and has been the Acting Chief Human Resources reporting to the Managing Director since November 2018. In his role, Emmanuel is responsible for driving the execution of the People strategy in line with the bank's vision and providing the necessary guidance to the HR team in strategy implementation.

Prior to the current appointment, Emmanuel was Head of HR Shared Services; responsible for designing and implementing staff welfare policies and employee relations in addition to leading optimal HR support functions.

Emmanuel previously worked at Ernst & Young as the country Head of Human Resources function responsible to drive HR agenda in strategic talent acquisition, development and retention.

Prior to joining Ernst &Young, Emmanuel worked at Barclays Bank Tanzania as HR Business Partner and Reward Manager responsible for execution of compensation & Benefits and as a strategic HR business partner. Emmanuel has extensive knowledge and experience in HR from various sectors ranging from Manufacturing to Mining industry before he joined banking. Emmanuel is a certified Reward & HR practitioner who holds a Bachelor of Arts from University of Dar es Salaam, is currently pursuing his MBA at ESAMI.

Filbert Mponzi | Chief Retail Banking

Mr. Mponzi was appointed as Chief Retail Banking in June 2019 and has over 16 years of banking experience. Rejoined NMB Bank plc in June 2018 as Business Head Wholesale Banking from NBC limited, a member of Barclays Africa Group and recently ABSA Group, where he served as Retail Banking Director and successfully drove the strategy to include Personal and Mass segments and pioneered the Distribution Optimization (Branches, ATMs and introduction of Agency Banking).

Prior to joining NBC Limited, he held different senior positions within NMB Bank including Head of MSME, Business Banking, and Head of Corporate Banking (Large local, MNCs and Emerging Corporates). He brought in a wealth of experience in Retail Banking, MSME, Corporate, and Agri Business.

Filbert is also a member of the Board of Trustees of Social Action Trust Fund (SATF) an NGO helping Most Vulnerable Children to become productive members of the society. He also sitting as member of Investment Committee in SME Impact Fund.

Filbert is an Associate Certified Public Accountant (ACPA (T)) and holds a Bachelor of Commerce in Accounting (Hons) from University of Dar es salaam, and MBA from Eastern and Southern African Management Institute (ESAMI). Filbert also attended senior leadership courses in Harvard Business School (HBS) (USA) and Gordon Institute of Business Science (GIBS) in South Africa.

ANNUAL GENERAL MEETING NOTICE 2020

Notice is hereby given that the 20th Annual General Meeting of NMB Bank Plc shareholders will be held Online on Friday, 5th June, 2020 at 10.00 a.m. The agenda will be as follows:

20.1 NOTICE AND QUORUM

20.2 ADOPTION OF THE AGENDA

20.3 CONFIRMATION OF THE MINUTES OF THE 19th ANNUAL GENERAL MEETING HELD ON 15th JUNE 2019

20.4 MATTERS ARISING FROM THE PREVIOUS MINUTES

20.5 TO RECEIVE, CONSIDER AND ADOPT THE DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED 31st DECEMBER 2019

20.6 DIVIDEND DECLARATION FOR THE FINANCIAL YEAR 2019

20.7 TO RECEIVE AND APPROVE THE PROPOSAL FOR DIRECTORS' REMUNERATION

20.8 CHANGES IN THE ARTICLES OF ASSOCIATION

20.9 RESIGNATION AND APPOINTMENT OF DIRECTORS

20.10 TO RECEIVE AND APPROVE APPOINTMENT OF EXTERNAL AUDITORS FOR THE FINANCIAL YEAR 2020

20.11 ANY OTHER BUSINESS

IMPORTANT NOTES:

1. Members wishing to attend the meeting must submit online one of the following: a copy of his/her depository receipt, passport, voters ID card, or bank card.

2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his/her behalf in accordance with the provisions of the Articles of the Company. The proxy form must be deposited at the registered office of the company (physical or online) not later than 10.00 am Thursday, 4th June 2020.

3. The meeting will be held online. Copies of annual report and proxy forms will be available in NMB branches and on the NMB website (www.nmbbank.co.tz).

4. Directors propose payment of a dividend of TZS 96 per share, amounting to TZS 48 billion out of 2019 profit.

Date of announcement of results:	-	15th May 2020
Shares trading cum div:	-	15th May 2020
Last day of trading cum-dividend:	-	4th June 2020
Shares start trading ex-div:	-	5th June 2020 onwards
Register Closing Date (Books Closure Date)	-	9th June 2020
Payment of dividend:	-	on or about 17th June 2020

By order of the Board.

Lilian R. Komwihangiro
Company Secretary
May 8th, 2020

WHISTLE BLOWING

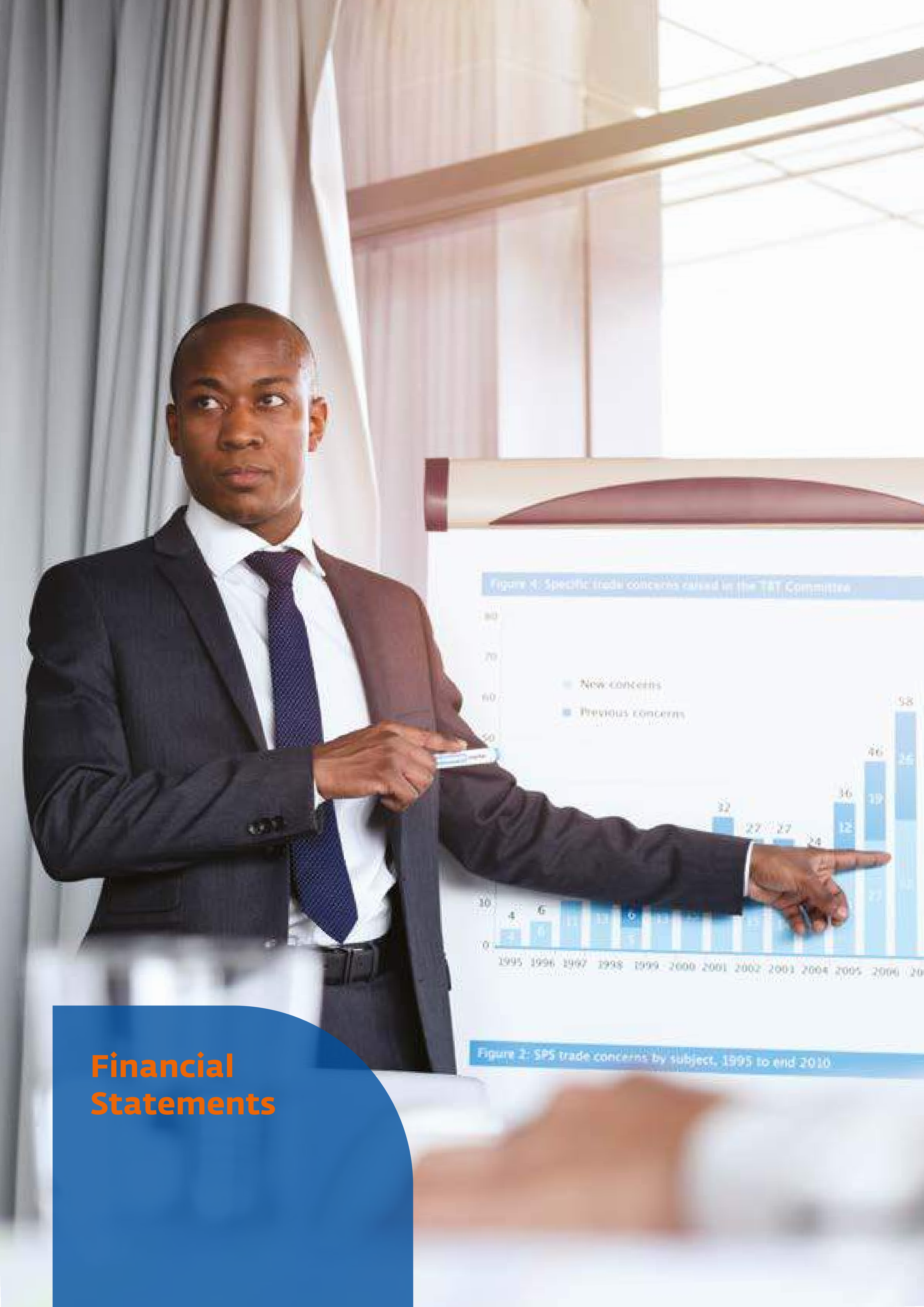
As NMB Values encourage compliance and integrity above all, we also encourage our staff members, customers, or other stakeholders to raise any concerns, inappropriate practices of any nature through our whistle blowing channels as shown below:

1. **THROUGH NMB WEBSITE**
   http://www.nmbbank.co.tz

2. **BY POST:**
   You can confidentially send your concerns to the Managing Director (MD): Attn to MD [envelope marked "strictly private and confidential"]
   NMB Head Office,
   P. O. Box 9213,
   Ali Hassan Mwinyi/Ohio Streets
   Dar es Salaam, Tanzania.

3. **THROUGH EMAIL:**
   whistleblowing@nmbbank.co.tz

4. **BY CALLING:**
   The following Toll Free Phone Numbers, for those who would wish to call:
   - 0779751 000 - Zantel
   - 0685 751 000 - Airtel
   - 0800 751 000 - Vodacom



Financial Statements

REPORT OF THE DIRECTORS

1. INCORPORATION

Directors submit their report together with the audited financial statements for the year ended 31 December 2019, which disclose the state of affairs of NMB Bank Plc (the "Bank") and its subsidiary, Upanga Joint Venture Company Limited (together, the 'Group').

2. INCORPORATION

The Bank is incorporated in Tanzania under the Companies Act, No.12 of 2002 as a public limited liability company.

3. VISION

To be the preferred financial services partner in Tanzania.

4. MISSION

Through innovative distribution and its extensive branch network, the Bank offers affordable, customer focused financial services to the Tanzanian community, in order to realise sustainable benefits for all its stakeholders.

5. PRINCIPAL ACTIVITIES

The Bank is licensed under the Banking and Financial Institution Act, 2006, with license number CBA 00032. It is authorized to conduct and carry out banking business in Tanzania as a Bank. The Bank is regulated by the Bank of Tanzania and is subject to the provisions of the Banking and Financial Institutions Act, 2006 and its regulations.

The Bank is a full service commercial bank incorporated in the United Republic of Tanzania. It is engaged in taking customer deposits, providing credit facilities and offering other commercial banking services. Through its three main business divisions: Retail, Wholesale and Treasury, the Bank provides a suite of financial services and products to retail customers, farmers, small businesses, Corporates, Institutions and the Government.

The Bank has 224 branches, 794 ATMs and 5,980 active agents across the country. The Bank is listed on the Dar es Salaam Stock Exchange in Tanzania.

224 Branches

794 ATMs

5980 Agents

During the year, the Bank further reinforced it's position as the innovative market leader with an extensive reach. In October 2019, the bank rebranded its mobile app and NMB Klik app to NMB Mkononi, a new state-of-the-art App for smart phones providing self-service bank services, account opening and the introduction of scan to pay by using QR codes. This is in addition to the USSD functionality that is available to feature phones.

6. DIRECTORS

The Directors of the Bank who were in the office since 1 January 2019 to the date of this report are:

No	Name	Position	Date of Birth	Nationality	Qualification/ discipline	Date of Appointment/ Retired
1	Prof. Joseph Semboja	Chairman	24 April 1951	Tanzanian	Economist	Retired on 4 February 2020
2	Jos van Lange	Member	06 June 1956	Dutch	Economist/Banker	Retired on 15 June 2019
3	Leonard Mususa	Member	25 September 1953	Tanzanian	Certified Public Accountant	Re-appointed on 15 June 2019
4	Margaret Ikongo	Member	08 June 1957	Tanzanian	Chartered Insurer	Re-appointed on 3 June 2017
5	Mathias Magwanya	Member	03 January 1968	Tanzanian	Auditor	Appointed on 2 June 2018
6	George Mulamula	Member	04 April 1956	Tanzanian	Computer Scientist	Appointed on 2 June 2018
7	Christine Glover	Member	29 November 1952	Tanzanian	Investment Manager	Appointed on 2 June 2018
8	Rik Reisinger	Member	27 March 1964	Dutch	Economist/ Banker	Appointed on 15 June 2019
9	George Mandepo	Member	29 December 1975	Tanzanian	Lawyer	Appointed on 15 June 2019

7. COMPANY SECRETARY

The Bank's secretary as at 31 December 2019 and during the year was Lilian R. Komwihangiro.

8. CORPORATE GOVERNANCE

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

The Board is required to meet at least four times a year. The Board delegates the day to day management of the business to the Managing Director assisted by the Management Team. The Management Team is invited to attend board meetings and facilitates the effective control of all the Bank's operational activities, acting as a medium of communication and coordination between all the various units of the Bank.

The Bank is committed to the principles of effective corporate governance, and recognizes the importance of integrity, transparency and accountability. During the year, the Board had the following board sub-committees to ensure a high standard of corporate governance throughout the Bank.

i Board Executive Committee (BEC)

ii Board Audit, Risk and Compliance Committee (BARCC)

iii Board Human Resources and Remuneration Committee (BHR&RC)

iv Board Credit Committee (BCC)

During the year, there were 8 board meetings (4 of which were special meetings). There were also 12 Board Credit Committee meetings, 4 Board Human Resources and Remuneration Committee meetings, 10 Board Audit, Risk and Compliance Committee meetings (6 of which were special) and 4 Board Executive Committee meetings.

The following table shows the number of Board and Committee meetings held during the year and the attendance by directors

DIRECTORS	Board (8)	BARCC (10)	BCC (12)	BHR&RC (4)	BEC (4)
Prof. Joseph Semboja*	7	n/a	n/a	n/a	3
Jos Van Lange**	2	3	n/a	n/a	n/a
George Mandepo	4	n/a	4	n/a	n/a
Margaret Ikongo	8	6	2	4	2
Mathias Magwanya	8	4	n/a	3	3
George Mulamula	8	10	7	n/a	n/a
Leonard Mususa	7	10	7	n/a	n/a
Christine Glover	8	n/a	11	4	4
Rik Reisinger	5	n/a	5	2	n/a

n/a – not applicable
** Prof. Joseph Semboja retired on 4 February 2020*
***Mr. Jos Van Lange retired on 15 June 2019.*

9. REMUNERATION POLICIES

The Bank has in place processes and procedures for determining remuneration paid to its Directors. Management normally prepares a proposal of fees and other emoluments paid to directors after having conducted a market survey, which is brought to the Board before presenting the same to the Annual General Meeting (AGM) for final approval.

10. ACCOUNTING POLICIES

The accounting policies of the Bank disclosed in Note 3 to the financial statements have been approved by the Board. The accounting policies have been updated to reflect the new and revised International Financial Reporting Standards (IFRSs) in Note 2.

11. MANAGEMENT TEAM

The Management of the Bank is led by the Managing Director assisted by the Management Team. The Management of the Bank at the date of the report consisted of the following: -

- Managing Director
- Chief Retail Banking
- Chief Wholesale Banking
- Chief Financial Officer
- Chief Credit Officer
- Chief Technology and Digital Transformation
- Chief Shared Services
- Chief Human Resources Officer
- Chief Risk and Compliance Officer
- Treasurer

12. INTERNAL AUDIT FUNCTION

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

13. STOCK EXCHANGE INFORMATION

In 2008 the Bank was listed at the Dar es Salaam Stock Exchange. The price per share as at year-end date was TZS 2,340 (2018: TZS 2,340). Market capitalisation as at 31 December 2019 was TZS 1,170 billion (2018: TZS 1,170 billion).

Stock prices changes are affected by the demand and supply of shares in the stock market. Changes in economic conditions, regulations and accounting standards can have an impact on corporate profits, which would result in stock price changes on at least a temporary basis.

14. CAPITAL STRUCTURE

The Bank's capital structure for the year under review is disclosed under note 35 to the financial statements. Details of the capital management, regulatory capital and capital structure are disclosed under Note 6.6.

15. SHAREHOLDERS OF THE BANK

The total number of shareholders during the year 2019 is estimated to be 17,608 (2018: 17,596). None of the Directors is holding a significant number of shares at the Bank.

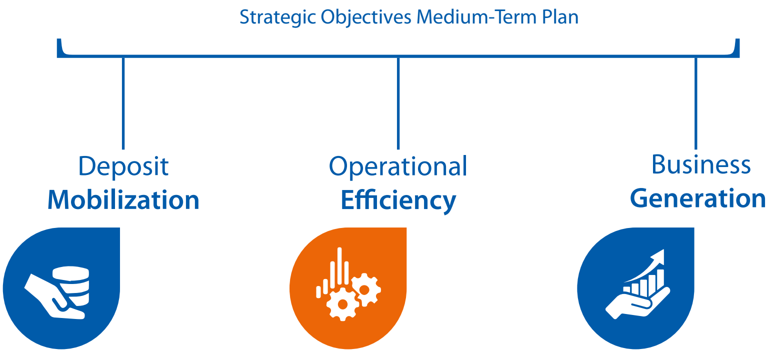
The following is a list of shareholders who individually own 0.5% or more of the shares of the Bank.

Name of the Shareholder	%	2019 number of shares	%	2018 number of shares
Cooperatieve Centrale Raiffeisen - Boerenleenbank B.A. "Rabobank Nederland" (Rabobank)	34.9	174,500,000	34.9	174,500,000
The Treasury Registrar	31.8	158,901,800	31.8	158,901,800
National Investment Company Limited (NICOL)	6.6	33,049,520	6.6	33,049,520
Mr Aunali F Rajabali and Sajjad F Rajabali	5.0	25,000,000	5.0	25,000,000
BNYM Re SQM Frontier Africa Master Fund Ltd - SQM1	1.9	9,566,432	1.9	9,566,432
Morgan Stanley Institutional Fund, Inc -Frontier Markets Portfolio-MGGQ	1.3	6,718,721	1.3	6,718,721
Morgan Stanley Galaxy Fund	1.3	6,427,232	1.3	6,427,232
Banque Pictet and Cie Sa A/C Patrick Schegg	1.0	4,972,700	1.0	4,972,700
Parastatal Pension Fund (PPF)	1.0	4,831,636	1.0	4,831,636
Kuwait Investment Authority	0.7	3,500,000	0.7	3,500,000
Sanlam Centre Sub Saharan Africa Equity Master Fund Class E	0.7	3,400,000	0.7	3,400,000
Duet Africa Opportunities Master Fund	0.6	3,150,000	0.6	3,150,000
Stanbic Nominees Limited	0.6	3,115,338	0.6	3,115,338
TCCIA Investment Company Limited	0.5	2,611,886	0.5	2,611,886
Orbit Securities Co. Ltd ITF WWB Capital Partners, LP.	0.5	2,372,044	0.5	2,372,044
General Public	11.6	57,882,691	11.6	57,882,691
Total	**100.0**	**500,000,000**	**100.0**	**500,000,000**

16. STRATEGIC OBJECTIVES

The Bank's objectives that drive its long-term strategic focus is to maintain its leadership in profitability while maintaining its stronghold position in the retail and wholesale market. The Bank has its Medium-Term Plan focusing on three pillars namely deposit mobilization, operational efficiency and business generation, with its strategic objectives focusing on:

- Maintaining a stable and structural deposit flow to sustainably fund the assets;
- Maintain a high quality and diversified loan book with non-performing loans below 5%, to secure a LDR below 75% and comply with BOT liquidity standards;
- Increase in non-funded income contribution to total income to 32% by enhancing existing value propositions;
- Lower the cost to serve. Cost to Income Ratio below 56% in the medium term;
- Improve Return on Equity to 20% in the medium term;
- Expand offerings available from agency banking and other channels;
- Become the best in service and product offerings – customer obsessed and insight driven;
- Enhance the digital offering solutions to customers; and
- Create a performance and customer-oriented culture



17. FUTURE STRATEGIC PLANS

The core of the Bank's strategy is to provide to our customers relevant and affordable products and services that will enable them to grow and prosper whilst maximizing returns to shareholders. To deliver this, we have over the years invested in world class technology and infrastructure, which allows to provide convenience and accessibility to our customers. These investments have enabled us to significantly expand our reach through our different channels including Agency Banking and Mobile Banking. With 5,980 active agencies as at December 2019, the Bank serves over 3.3 million customers.

The Bank remains committed to serving and remaining relevant to its customers. It will achieve this by reviewing and enhancing its products and services, as well as re-engineering and where possible automating the processes that are used in their delivery. This should ultimately increase operational efficiency, reduce operating costs and increase profitability. The goal is to provide our customers with a superior customer experience and become the benchmark for customer service, affordability and product offerings.

The Bank is invested in the communities in which it operates. It is for this reason that we continuously promote the essence of shared growth with our customers and other stakeholders. We truly want our staff, shareholders and customers to thrive, as we believe that it is only through their success that the Bank can symbiotically continue to prosper as well.

18. MARKET OVERVIEW

Global economic growth decelerated markedly in 2019 to reach an estimate of 2.4%, its lowest rate of expansion since the global financial crisis, from 3% recorded in 2018 (The World Bank, 2020). This is mainly a result of weakening global trade and investment that has affected both advanced and developing economies. Particularly, the intensified trade tensions between the United States and China have heightened policy uncertainty and weighed on international trade, confidence, and investment. Consequently, the increase of tariffs between the two countries over the past couple of years, has significantly caused a bigger share of world trade to become subject to protectionist measures. Global growth is, however, projected to improve to 2.5% in 2020 and edge further up thereafter on the back of recovering global trade and investment as trade disputes between China and the United States reduce due to ongoing bilateral negotiations between the two countries. Moreover, rebounding of activities in emerging markets and developing economies (EMDEs) will also improve the global growth in 2020. Nonetheless, per capita growth in EMDEs is still forecasted to remain insufficient to meet poverty alleviation goals.

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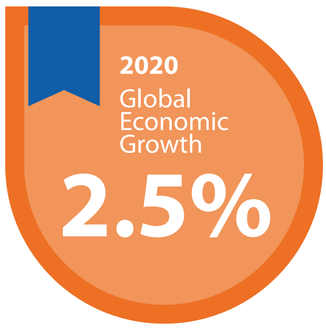
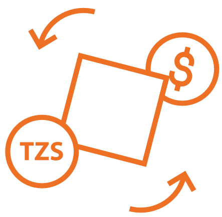


In Tanzania, real GDP growth stood at an estimate of 6.8% in 2019, down slightly from 7% in 2018 on the back of robust private consumption, substantial public spending on infrastructure strong investment growth, and an upturn in exports (AfDB, 2020). Tourism, mining, services, construction, agriculture, and manufacturing continue to be notable sectors in driving the country's economic growth. Inflation remained low and below the country's medium-term target to stand at 3.8% in December 2019. This is attributed to adequate food supply, stable exchange rate and sustained prudent monetary and fiscal policies. With exception of Quarter 1 2019, the Tanzanian shilling against the USD was fairly stable in 2019, exchanging at an average of 2,290, compared to 2,263 in 2018.

2018
1 USD =
2,263 TZS



2019
1 USD =
2,290 TZS

The Bank of Tanzania reviewed downward the SMR rate on non-central government deposits and borrowings held by banks from 8% to 7% in May 2019. Moreover, the central bank improved the SMR averaging framework to allow banks to utilize up to 20% of their required SMR during the 14-day maintenance period up from 10% that had been previously operational.

These revisions eased liquidity in the market to support credit extension to the private sector by banks that grew by 11.1% Y-o-Y in December 2019 from 4.9% Y-o-Y growth recorded in December 2018 (BOT Monthly Economic Report, January 2020). The overnight market was also fairly liquid across the year with interbank rates averaging at 4.8% in 2019.

19. PERFORMANCE FOR THE YEAR

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2019 Financial Highlights

Statement of Financial Position

Total assets of the Group increased to TZS 6.4 trillion (2018: TZS 5.7 trillion), this represents a yearly growth of 12%.

The Bank's net loans and advances grew by TZS 344 billion (11%) year on year, driven by an increase of retail loans particularly consumer loans. Government securities increased by TZS 21 billion (3%) attributed to yield improvement. Placements with banks increased by TZS 90 billion (52%) while cash and balances with Bank of Tanzania increased by TZS 271 billion (25%) driven by increase of customers deposits. Assets growth was funded by increase of customer deposits by TZS 595 billion (14%) YoY and TZS 83.3 billion from the public through Issuance of Retail Bond

There was an increase in Bank's non-earning assets by 30% year on year mainly coming from Right-of-use assets resulting from the adoption of IFRS 16, while Property and Equipment increased by TZS 25 billion (11%).

Statement of profit or loss and other comprehensive income

During the year, the Group recorded a net profit of TZS 145 billion (2018: TZS 101 billion), increase of 43% while the Bank earned a net profit of TZS 142 billion (2018: TZS 98 billion), an increase of 46% year on year. This increase in profit was mainly attributed to decrease in loan impairment charge by TZS 37 billion, increase in net interest income and net fees and commission income by TZS 31 billion and TZS 3 billion respectively.

The Bank's total income grew 13% year on year to TZS 622 billion. The growth is from the Bank's net interest income which increased by 5% mainly as a result of increase in interest income by 9% while net fees and other income increased by 4% mainly attributed to increase other fees, teller withdrawal fee and ATM fees and MNO. Impairment charge decreased by 27% due to improvements in portfolio management and inclusion of collateral information into modelled impairment consideration.

The Bank's operating expenses decreased slightly by 0.4% during the year mainly contributed by a decrease in general administrative expenses by 18% while depreciation expenses increased by 36% driven by capitalization of completed projects during the year and amortization of right-of-use assets.

The Bank's subsidiary, Upanga Joint Venture Company (UJVC) Limited made a profit after tax of TZS 2 billion (2018: TZS 2.1 billion). The decrease in profit is attributable to settlement of prior year's tax obligations. As at 31 December 2019, its total assets were TZS 48 billion (2018: TZS 57 billion); the decrease was due to decrease in cash and bank balances and depreciation of investment properties.

The audited financial statements for the year are set out on pages 89 to 210 of the Annual Report.

20. CASH FLOW

During the year, the Group's major source of cash flow was from its operating activities which generated TZS 577 billion (2018: utilized TZS 214 billion). This was attributed to the growth of deposits from customers by TZS 601 billion (2018: TZS 43 billion).

The major use of the cash flow was servicing of borrowings by TZS 147 billion (2018:TZS 113 billion) , TZS 60 billion (2018: TZS 68 billion) for payment of taxes, TZS 13 billion (2018: TZS 26 billion) investment in fixed assets, TZS 8 billion (2018: TZS 12 billion) investment in software and TZS 33 billion (2018: TZS 32 billion) for dividend payment.

The Group's cash projections indicate that future cash flows will mostly be generated from deposits. The Bank will continue to implement different strategies to mobilize deposits by targeting individual depositors but also offering competitive rates for fixed deposits and improving cash collection solutions to big corporate customers, government institutions, Non-Government Organizations and other agencies.

21. DIVIDEND

The Directors propose payment of a dividend of TZS 96 per share, amounting to TZS 48 billion. In 2018, a dividend of TZS 66 per share, amounting to TZS 33 billion was approved and paid.

22. KEY PERFORMANCE INDICATORS FOR BANK

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

		NMB Ratios	
Performance indicator	**Definition and calculation method**	**2019**	**2018**
Return on equity	Net profit/Total equity	15%	11%
Return on assets	Net profit/Total assets	2%	2%
Cost to income ratio	Total costs/Net income	60%	59%
Interest margin on earning assets	Total interest income/ Interest earning assets	17%	15%
Non - interest income to Gross income	Non - interest income/Total income	28%	28%
Gross loans to customers' deposits	Total loans to customers/Total deposits from customers	72%	78%
Non - performing loans to gross loans	Non - performing loans/Gross loans and advances	6.7%	6%
Earning assets to total assets	Earning assets/Total assets	71%	73%
Growth on total assets	Increase in assets for the year/Total asset opening balance	15%	3%
Growth on loans and advances to customers	Increase in Loans and advances /Opening balance of loans and advances	11%	17%
Growth on customer deposits	Increase in customer deposits/Opening balance of customer deposits	14%	1%
Capital adequacy			
Tier 1 Capital	Core Capital /Risk weighted assets including off balance sheet items	17%	17%
Tier 1+Tier 2 Capital	Total Capital /Risk Weighted assets including off balance sheet items	19%	19%

23. TREASURY POLICY

The Bank maintains a well-documented treasury policy that outlines approved Treasury activities in the Bank and how various risks that arise from such dealings together with other banking activities are identified, measured and managed. These, among others, include liquidity risk, foreign exchange risk and interest rate risk.

Regulatory ratios and internal limits on the above stated risks are stipulated in the policy to enable an efficient monitoring of compliance. Moreover, to combat any losses that may result from dealing activities, the policy allows for establishment of dealer limits, counterparty limits and stop-loss limits that must be reviewed regularly and kept up to-date. In addition to this, roles and responsibilities of Treasury staff, Market Risk unit, senior management and Assets and Liabilities Committee (ALCO) members in complying with the policy are stated.

Assets and Liabilities Management (ALM) team in conjunction with Market risk unit provide monthly reports to ALCO to evidence compliance with the policy. Any incident where a guideline has been breached is reported by the treasury functions to the Treasurer who then escalates the breach to ALCO members and Bank Management for immediate actions.

The following sections are covered in the Treasury policy:

(i) Liquidity Management

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

The Bank's sound and robust liquidity management process, as carried out within the bank and monitored by ALCO, encompasses the following:

- Day-to-day funding, managed by monitoring future cash flows to ensure that daily obligations can be met. This includes replenishment of funds as they mature or borrowed by customers. The Bank maintains an active presence in money markets to enable this to happen;
- Maintaining a portfolio of highly liquid and marketable securities that can easily be liquidated as protection against any unforeseen interruption to cash flows;
- Monitoring balance sheet liquidity ratios, i.e., Liquid Asset Ratio (LAR), Loan to Deposit Ratio (LDR) and Long-term Funding Ratio (LTFR) against internal and regulatory requirements;
- Managing the concentration and profile of debt maturities;
- Diversification of depositor base;
- Performing Liquidity stress and scenario tests; and
- Maintaining a robust and effective contingency funding plan.

It is vital to know that changes in interest rates impact the overall profit of the Bank. Hence, in addition to liquidity management, the Bank manages its interest expenses through regular review of the fixed deposit rates and other savings accounts rates, together with striving to obtain reasonable and fair borrowing rates from the interbank and multilateral lenders.

23. TREASURY POLICY (CONTINUED)

(ii) Foreign Exchange Risk

Foreign Exchange risk is a current or prospective exposure to earnings and capital arising from adverse movement in currency exchange rate. The Treasury policy mainly focuses on foreign exchange risk that arises from trading activities whose management principles are as outlined below;

- Identification of foreign exchange risks in the trading and banking book
- Risk appetite specification in the form of limits and triggers
- Breach management
- Price validation and profit recognition
- Sign off of positions and profit or loss
- Reporting and management of foreign exchange risk.

The policy further outlines the roles and responsibilities of ALCO, Market risk unit and foreign exchange traders in managing this risk for the Bank.

(iii) Interest Rate Risk

Interest rate risk is the risk that arises from mismatches between the re-pricing dates on interest rate sensitive assets and liabilities in the normal course of business activities. Treasury policy explains the types of interest rate risk together with methods for measuring and managing it. The policy additionally outlines the roles and responsibilities of ALCO and Treasury in their involvement with managing the risk. All these are disclosed both internally via reports to ALCO (monthly) and Board Audit Risk and Compliance Committee (BARCC) on a quarterly basis and publicly through annual financial reports.

All borrowings have been disclosed under note 32 and 33 to the financial statements. Interest rate sensitivity analysis is disclosed under note 6.2.2.

(iv) Contingency Funding Plan

Treasury policy puts together a contingency funding plan that is aimed at providing a framework within which an effective plan of action can be put in place in response to an adverse liquidity event. The plan stipulates:

- The points that will trigger implementation of the plan;
- Roles and responsibilities of Management;
- Team members during phase 1 and phase 2 of the crisis situation as defined in the policy; and
- An updated call tree during the liquidity crisis.

24 PRINCIPAL RISKS AND UNCERTAINTIES

The key risks that may significantly impact the Bank's short-to-medium term strategy are mainly Credit, Operational, Compliance, Information and Communication Technology (ICT), Market, Liquidity, Strategic and Reputational risk.

Below, we provide a description of these various risk categories that the Bank faces.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including the legal risk.

Fraud, whether internal or external, is also a subset of operational risk. The number and value of fraud cases within the bank is quite low when compared to overall customer numbers, balances and transaction volumes. This is due to the Bank being able to implement a number of stringent controls including preventive and detective measures.

Compliance risk

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

Credit risk

This is the risk resulting from the possibility that an asset in the form of a monetary claim against a counter party may not result in a cash receipt (or equivalent) as per the terms of the contract. The Bank has robust controls in place to its exposure to credit risk, including approval limits, disbursement controls, continuous monitoring and a robust risk appetite statement.

ICT risk

Risk associated with the use of Information and Communication Technology to support business processes/standards. ICT risk results from inadequate or failed ICT Strategy, ICT Project and Program or ICT Operations. The Bank has robust checks in place to limit its exposure to ICT risk and performs regular monitoring to validate the efficacy of its ICT risk controls.

Market risk

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

Liquidity risk

Risk that the bank will encounter difficulity in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial asset. The Bank has stringent controls and monitoring mechanisms in place to limit its exposure to liquidity risk.

Strategic risk

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

Reputational risk

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

25 RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Bank. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

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

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Bank's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board carries out risk and internal control assessment through the Board Audit, Risk and Compliance Committee. The Board assessed the internal control systems throughout the financial year ended 31 December 2019 and is of the opinion that they met the accepted criteria.

26 SERIOUS PREJUDICIAL MATTERS

In the opinion of the Directors, there are no serious unfavorable matters that can affect the Bank (2018: None).

27 SOLVENCY

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of Directors has reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future.

28 MAJOR FINANCING TRANSACTIONS

During the year, the Group raised TZS 83.3 billion from the public through Issuance of Retail Bond. The Bank issued a TZS 25 billion 3-year bond, with a green shoe option of up to TZS 15 billion targeted towards the retail investor segment; offering a gross coupon rate of 10% and issued at par. The coupon on the bond is paid quarterly. The offer period closed on 8th July 2019 with market demand exceeding expectations. The bond was oversubscribed by 233%. This third tranche issuance is part of the Medium-Term Note (MTN) program. The issuance of the bonds is part of the Bank's strategy to diversify its funding sources.

29 RESOURCES

Employees with appropriate skills and experience in running the business are a key resource available to the Bank and they assist in pursuing the Bank's business objectives.

30 EMPLOYEES' WELFARE

Management and employees' relationship

The employee relations climate across the bank network has continued to be very stable evidenced by healthy relations between management and trade unions with regular interactions and engagements between the parties.

The establishment of the Employee Engagement Forum (SIKIKA) in June 2019 has proved to be an important means to connect management to staff, champion employee engagement, receive new business ideas from staff and find best ways to resolve staff and business matters proactively. In that regard, there was no major unresolved grievance(s) from staff.

The Bank has continued to be an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind.

Training facilities

During the year, the Bank spent TZS 2,996 million (2018: TZS 2,897 million) on staff training in order to improve employees' technical skills and hence effectiveness. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. All employees have some form of annual training to upgrade skills and enhance development.

Medical assistance

All staff and their dependents (spouse and up to four children) are availed medical services by the Bank through an external service provider. From March 2018 (after moving to NHIF), staff own parents and spouse's parents are accepted under medical insurance.

Financial assistance to staff

TZS

Loans are available to all confirmed employees depending on assessment, and discretion of Management as to the need and circumstances. Loans provided to employees include personal loans, vehicle loans, mortgage loans and other advances.

Persons with disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitude of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Bank continues and appropriate training is arranged. It is the policy of the Bank that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employees benefit plan

The Bank pays contributions to publicly administered pension plans on mandatory basis, which qualify to be defined contribution plans.

31 GENDER PARITY

At 31 December 2019, the Bank had 3,450 employees (2018: 3,450); out of which 1,793 (52%) were male and 1,657 (48%) were female (2018: male 1,824 (53%), female 1,626 (47%)).

32 RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in Note 41 to the financial statements.

33 POLITICAL DONATIONS

The Bank did not make any political donations during the year (2018: NIL)

34 RELATIONSHIP WITH STAKEHOLDERS

The Bank continued to maintain a good relationship with all stakeholders including regulators.

The Bank also recognizes that effective communication with stakeholders is essential to good governance. Following the publication of its financial results, the Bank engages with investors to present the results and answer questions accordingly. Shareholders are encouraged to attend Annual General Meeting and participate in the affairs of the Bank.

35 CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Bank is deeply engaged in creating community values and dedicated to embracing goals which demonstrate our sustainability commitment that are aligned with three pillars: education, health, and financial inclusion.

In 2019, the Bank allocated 1% of its' previous year's profit of after tax amounting to TZS 977 million (2018: TZS 1,486 million) to support social economic activities under the mentioned pillars.

Education

The Bank focused on education programs and initiatives that made a positive impact in Primary and Secondary schools across the country addressing challenges of inadequate school desks and laboratory tools. Students with disabilities were supported with learning aid devices as one of our approach in creating the right conditions and promoting equal access to education for all.

NMB continues to not only implement financial capability initiatives and complementary services through Jifunze, Jipange and Wajibika sessions that promote the uptake of Wajibu products (NMB Mtoto Account, NMB Chipukizi Account and NMB Mwanachuo Account) but also building the financial corner-stone and resilience for customers by promoting financial inclusion to all segments.

Health

The provision of health services in Tanzania it is important for the bank to work together with the Government to improve the health sector. As a good partner, NMB Bank has always believed in touching and making a difference in people's lives by providing hospital beds, delivery beds and medical kits to health facilities that are in need especially in rural areas.

Natural Disaster Recovery

NMB Bank supported recovery efforts for the oil tank explosion in Morogoro by contributing mattresses, bedsheets, gloves, blankets and assorted medicines to support the victims.

35 CORPORATE SOCIAL RESPONSIBILITY (CSR) (CONTINUED)

Additional Support

Our staff are engaged in the CSR activities in several ways; from volunteering, donation to various charities, visiting orphanages, the homeless and the sick through the matching up funds as top up to what they have contributed from their own pockets (CSR staff volunteering program). Over 3,000 (87%) staff have participated in these initiatives.

We also introduced the DONATION BOX initiative to complement staff volunteering program, where staff give out used toys, cloths, games, shoes, stationeries, inedible groceries, text books or anything in good quality to support the less privileged groups. We have these boxes kept at every floor in our head office at the branches.

Staff have participated in CSR staff initiatives and the NMB CSR program has matched employees' donations amounting to TZS 400 million in total.

Our CSR projects are extended to communities where we open new branches in areas of health, education and financial capability trainings.

36 AUDITORS

PricewaterhouseCoopers was the auditor of the Bank for the year ended 31 December 2019 and have expressed their willingness to continue in office in accordance with Section 170(2) of the Companies Act, No.12 of 2002. Appointment of auditors for the year ending 31 December 2020 will be done at the Annual General Meeting and the process will comply with the requirements of Section 6 of the Banking and Financial Institutions (External Auditors) Regulations, 2014.

BY ORDER OF THE BOARD

MIkongo

Margaret Ikongo
Director
30th March, 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act, No.12 of 2002 requires Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Bank and of the Group as at the end of the financial year and of the profit or loss for the year. It also requires the Directors to ensure that the Bank and its subsidiary keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank and of the Group. They are also responsible for safeguarding the assets of the Bank and of the Group and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

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 (IFRS) and the requirements of the Companies Act, No.12 of 2002.

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 the Group and of the profit in accordance with International Financial Reporting Standards (IFRS). The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

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

Signed on behalf of the Board of Directors by:

Margaret Ikongo
Director
30th March, 2020

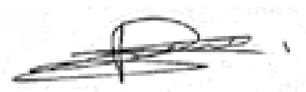
DECLARATION OF THE CHIEF FINANCIAL OFFICER

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 to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's financial position and performance in accordance with applicable International Financial Reporting Standards (IFRS) and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors' as per the Statement of Directors' Responsibility on page 81.

I, Benedicto M. Baragomwa, being the Acting Chief Financial Officer of NMB Bank Plc hereby acknowledge my responsibility of ensuring that the consolidated and the Bank's financial statements for the year ended 31 December 2019 have been prepared in compliance with the International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No.12 of 2002 and Banking and Financial Institutions Act (BFIA), 2006 and its regulations.

I thus confirm that the financial statements give a true and fair view of the financial performance of NMB Bank Plc and its subsidiary for the year ended on 31 December 2019 and its financial position as on that date and that they have been prepared based on properly maintained financial records.



CPA Benedicto M. Baragomwa
Acting Chief Financial Officer
NBAA Membership number: ACPA 2317
30th March, 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NMB BANK PLC

Report on the audit of the Consolidated and Bank Financial Statements

Our opinion

In our opinion, the Consolidated and Bank financial statements give a true and fair view of the Consolidated and Bank financial position of NMB Bank Plc (the Bank) and its subsidiaries (together the Group) as at 31 December 2019, and of the Consolidated and Bank financial performance and Consolidated and Bank cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002.

What we have audited

NMB Bank Plc's Consolidated and Bank financial statements as set out on pages 89 to 210 comprise:

- The Consolidated and Bank statements of financial position as at 31 December 2019;
- The Consolidated and Bank statements of profit or loss and other comprehensive income for the year then ended;
- The Consolidated and Bank statements of changes in equity for the year then ended;
- The Consolidated and Bank statements of cash flows for the year then ended; and
- The notes to the financial statements, which include significant accounting policies.

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 Consolidated and Bank financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Bank in accordance with the IESBA International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and the ethical requirements of the National Board of Accountants and Auditors (NBAA) that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the NBAA.

Key audit matter

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

Report on the audit of the Consolidated and Bank Financial Statements (Continued)

Key audit matter	How our audit addressed the key audit matter
<u>Impairment of loans and advances to customers</u> Management exercises significant judgement using subjective assumptions over both when and how much to record as loan impairment. The Bank applies IFRS 9 in estimating the expected loss. Judgement is applied to determine the appropriate parameters and assumptions used to estimate the provisions in the following areas:	• We tested the reasonableness of the quantitative and qualitative criteria used in the classification of loans and advances. As the quantitative basis of classification of loans and advances is reliant on information systems, we understood and tested key information technology general and application controls including the calculation of the number of days past due. • We tested management's application of the qualitative criteria in the classification of loans and advances. • We tested reasonableness of portfolio segmentation in the view of sub portfolio characteristics and associated credit risks. • We tested the reliability, accuracy and reasonableness of information used for estimating the exposure at default, probability of default and loss given default.
• Quantitative and qualitative criteria for classification of loans and advances based on assessment of factors contributing to significant increase in credit risk and default;	• We tested the reasonableness of the forward-looking parameters considered by management in establishing projected probabilities of default. • We challenged management's basis for establishing the correlation between forward looking parameters and the bank's non-performing loan trends.
• Determination of the probability of defaults;	• We tested management use of scenarios in development of forward-looking estimates.
• Determination of the probability of defaults;	• We tested accuracy of the loss given default for the secured and unsecured loan portfolio.
• Determination of exposure at default;	• We tested the reasonableness of the expected cash flows and challenged management's assumptions of recovery estimates for unsecured facilities.
• Determination of the forward-looking parameters to be incorporated in the estimation of expected credit losses; and	• We tested recovery costs and recovery periods used to estimate the recoverable amount of collateral for secured facilities.
• Determination of the loss given default which include estimation of the expected cash flows and recovery rates.	
The value of the loans and advances to customers is also significant. The detailed disclosures are included in Note Note 3(f), Note 4(a), Note 6.1 and Note 20 of the financial statements	

Report on the audit of the Consolidated and Bank Financial Statements (Continued)

Other information

The directors are responsible for the other information. The other information comprises Index to the notes, List of Abbreviations, Corporate Information, Report of the Directors, Statement of Directors' responsibilities and Declaration of the Chief Financial Officer (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and CFO Report and Financial Highlights, Value Added Statement, Chairman's Report, Managing Director's Report, Business and Operational Review, Sustainability and Corporate Social Responsibility, Corporate governance, and other additional Corporate information, which is expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read CFO Report and Financial Highlights, Value Added Statement, Chairman's Report, Managing Director's Report, Business and Operational Review, Sustainability and Corporate Social Responsibility, Corporate governance, and other additional Corporate information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the Consolidated and Bank financial statements

The directors are responsible for the preparation of the Consolidated and Bank financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002, and for such internal control as the directors determine is necessary to enable the preparation of Consolidated and Bank financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated and Bank financial statements, the directors are responsible for assessing the Group and 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 Group and/or the Bank or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and bank financial statements

Our objectives are to obtain reasonable assurance about whether the Consolidated and Bank 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 Consolidated and Bank 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 Consolidated and Bank 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 Group's and the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and 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 Consolidated and Bank 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 Group and / or Bank to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated and bank financial statements (Continued)

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

This report, including the opinion, has been prepared for, and only for, the Bank's members as a body in accordance with the Companies Act, No. 12 of 2002 and for no other purposes.

As required by the Companies Act, No. 12 of 2002, we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Bank has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Bank is not disclosed. In respect of the foregoing requirements, we have no matter to report.

Cletus Kiyuga ACPA-PP No. 1981
For and on behalf of PricewaterhouseCoopers
Certified Public Accountants
Dar es Salaam
Date: 31 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2019 TZS' Millions	2018 TZS' Millions
Interest income	7(a)	653,195	600,555
Interest expense	8(a)	(130,820)	(109,615)
Net interest income		**522,375**	**490,940**
Impairment charge – loans and advances	20(a)	(98,850)	(135,256)
Impairment charge – off-balance sheet exposures	6.1.5 (e)	(1,560)	(2,049)
Total impairment charge		**(100,410)**	**(137,305)**
Net interest income after impairment		**421,965**	**353,635**
Fee and commission income	10	215,816	203,003
Fee and commission expense	10	(46,663)	(36,721)
Net fee and commission income		**169,153**	**166,282**
Trading income		1,100	1,033
Foreign exchange income	9(a)	24,454	20,861
Other income	11	9,702	7,647
Total operating income		**626,374**	**549,458**
Employee benefits expense	12	(182,579)	(166,149)
Other operating expenses	13(a)	(154,567)	(183,043)
Depreciation and amortization	14(a)	(73,367)	(55,904)
Total operating expenses		**(410,513)**	**(405,096)**
Profit before income tax		**215,861**	**144,362**
Income tax expense	15(a)	(71,122)	(43,401)
Profit for the year		**144,739**	**100,961**
Attributable to			
Owners of the Bank		144,619	100,510
Non-controlling interests		120	451
Profit for the year		**144,739**	**100,961**
Other comprehensive income, net of tax			
Items that may subsequently be reclassified to profit or loss:			
Fair value gain on financial assets at FVOCI – net of tax	35 (v)	168	182
Total comprehensive income for the year		**144,907**	**101,143**
Attributable to:			
Owners of the Bank		144,787	100,692
Non-controlling interests		120	451
Total comprehensive income for the year		**144,907**	**101,143**
Basic and diluted earnings per share (TZS)	16(a)	289.24	201.02

BANK'S STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2019 TZS' Millions	2018 TZS' Millions
Interest income	7(b)	653,974	601,638
Interest expense	8(b)	(136,333)	(109,615)
Net interest income		**517,641**	**492,023**
Impairment charge – loans and advances	20(b)	(98,850)	(135,256)
Impairment charge – off-balance sheet exposures	6.1.5 (e)	(1,560)	(2,049)
Total Impairment charge		**(100,410)**	**(137,305)**
Net interest income after impairment		**417,231**	**354,718**
Fee and commission income	10	215,816	203,003
Fee and commission expense	10	(46,663)	(36,721)
Net fee and commission income		**169,153**	**166,282**
Trading income		1,100	1,033
Foreign exchange income	9(b)	24,454	20,914
Other income	11	9,702	7,647
Total operating income		**621,640**	**550,594**
Employee benefits expense	12	(182,579)	(166,149)
Other operating expenses	13(b)	(154,365)	(188,871)
Depreciation and amortization	14(b)	(73,608)	(53,933)
Total operating expenses		**(410,552)**	**(408,953)**
Profit before tax		**211,088**	**141,641**
Income tax expense	15(b)	(68,921)	(43,978)
Profit for the year		**142,167**	**97,663**
Other comprehensive income, net of tax			
Items that may subsequently be reclassified to profit or loss:			
Fair value gain on financial assets at FVOCI – net of tax		168	182
Total comprehensive income for the year		**142,335**	**97,845**
Basic and diluted earnings per share (TZS) (Note 16(b)		284.33	195.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Note	2019 TZS' Millions	2018 TZS' Millions
Assets			
Cash and balances with Bank of Tanzania	18	1,341,140	1,070,422
Placements and balances with other banks	19	264,326	174,391
Loans and advances to customers	20(a)	3,590,006	3,241,401
Investment in government securities			
- At amortised cost	21(a)	744,527	724,943
- At FVOCI	21(b)	17,027	15,242
Equity investment at FVOCI	22(a)	2,920	2,920
Other assets	23(a)	91,324	84,755
Current tax assets	15(c)	-	13,066
Property and equipment	24(a)	239,169	265,700
Intangible assets	25	20,779	21,241
Right-of-use assets	26(a)	29,421	-
Deferred tax assets	27(a)	76,788	62,132
Total assets		**6,417,427**	**5,676,213**
Liabilities			
Deposits due to other banks	29	33,446	20,770
Deposits from customers	28(a)	4,916,551	4,315,220
Other liabilities	30(a)	108,304	107,149
Lease liabilities	26(c)	27,985	-
Provisions	31	2,230	3,519
Borrowings	32	276,445	301,388
Subordinated debt	33	70,998	70,972
Current tax liabilities	15(c)	12,366	-
Total liabilities		**5,448,325**	**4,819,018**
Capital and reserves			
Share capital	35 (i)	20,000	20,000
Retained earnings		944,472	799,128
General reserve	35 (iv)	-	33,725
Fair valuation reserve	35 (v)	1,049	881
Capital and reserves attributable to owners of the parent		**965,521**	**853,734**
Non-controlling interest		**3,581**	**3,461**
Total equity		**969,102**	**857,195**
Total equity and liabilities		**6,417,427**	**5,676,213**

The financial statements on pages 89 to 210 were approved and authorized for issue by the Board of directors and were signed on its behalf by:

Margaret Ikongo
Director

30th March, 2020

BANK'S STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Note	2019 TZS' Millions	2018 TZS' Millions
Assets			
Cash and balances with Bank of Tanzania	18	1,341,140	1,070,422
Placements and balances with other banks	19	264,326	174,391
Loans and advances to customers	20(b)	3,595,688	3,251,794
Investment in government securities			
- At amortised cost	21(a)	744,527	724,943
- Fair value through other comprehensive income	21(b)	17,027	15,242
Equity investment at FVOCI	22(a)	2,920	2,920
Investment in subsidiary	22(b)	39,639	39,639
Other assets	23(b)	87,657	78,368
Current tax assets	15(d)	-	13,188
Property and equipment	24(b)	203,044	227,607
Intangible assets	25	20,779	21,241
Right-of-use assets	26(b)	162,184	-
Deferred tax assets	27(b)	77,084	61,229
Total assets		**6,556,015**	**5,680,984**
Liabilities			
Deposits due to other banks	29	33,446	20,770
Deposits from customers	28(b)	4,922,278	4,327,607
Other liabilities	30(b)	106,896	93,674
Lease liabilities	26(d)	156,030	-
Provisions	31	2,230	3,519
Borrowings	32	276,445	301,388
Subordinated debt	33	70,998	70,972
Current tax liabilities	15(d)	15,303	-
Total liabilities		**5,583,626**	**4,817,930**
Capital and reserves			
Share capital	35 (i)	20,000	20,000
Retained earnings		951,340	808,448
General reserve	35 (iv)	-	33,725
Fair valuation reserve	35 (v)	1,049	881
Total equity		**972,389**	**863,054**
Total equity and liabilities		**6,556,015**	**5,680,984**

The financial statements on pages 89 to 210 were approved and authorised for issue by the Board of directors and were signed on its behalf by:

MKabungu

Margaret Ikongo
Director

30th March, 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the parent

	Share capital	Retained earnings	Fair valuation reserve	*General Reserve	Total	Non-controlling interest	Total equity
	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions
At 1 January 2019	20,000	799,128	881	33,725	853,734	3,461	857,195
Profit for the year	-	144,619	-	-	144,619	120	144,739
Other comprehensive income (OCI)							
Gain of fair valuation	-	-	240	-	240	-	240
Deferred tax on OCI	-	-	(72)	-	(72)	-	(72)
Total comprehensive income	20,000	144,619	168	-	144,787	120	144,907
Transfer to retained earnings	-	33,725	-	(33,725)	-	-	-
Transactions with owners							
Dividends paid for the year 2018	-	(33,000)	-	-	(33,000)	-	(33,000)
At 31 December 2019	**20,000**	**944,472**	**1,049**	**-**	**965,521**	**3,581**	**969,102**

* General Reserve represents 1% provision charged on all current credit accommodation and other risk assets as required by the Bank of Tanzania regulations, 2014. General Reserve is created by transferring the amount from retained earnings. This reserve is not available for distribution. During the year, effective from July 2019, the Bank of Tanzania issued a circular removing the requirement to maintain the reserve.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the parent						
	Share capital	Retained earnings	Fair valuation reserve	*General Reserve	Total	Non-controlling interest	Total equity
	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions
At 1 January 2018	20,000	737,494	699	26,849	785,042	3,010	788,052
Profit for the year	-	100,510	-	-	100,510	451	100,961
Other comprehensive income (OCI)							
Gain of fair valuation	-	-	260	-	260	-	260
Deferred tax on OCI	-	-	(78)	-	(78)	-	(78)
Total comprehensive income	-	100,510	182		100,692	451	101,143
Transfer to General Reserve	-	(6,876)	-	6,876	-	-	-
Transactions with owners							
Dividends paid for the year 2017	-	(32,000)	-	-	(32,000)	-	(32,000)
At 31 December 2018	**20,000**	**799,128**	**881**	**33,725**	**853,734**	**3,461**	**857,195**

** General Reserve represents 1% provision charged on all current credit accommodation and other risk assets as required by the Bank of Tanzania regulations, 2014. General Reserve is created by transferring the amount from retained earnings. This reserve is not available for distribution. During the year, effective from July 2019, the Bank of Tanzania issued a circular removing the requirement to maintain the reserve.

BANK'S STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Fair valuation reserve	*General reserve	Total
	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions
At 1 January 2019	20,000	808,448	881	33,725	863,054
Comprehensive income					
Profit for the year	-	142,167	-	-	142,167
Other comprehensive income (OCI)					
Gain of fair valuation	-	-	240	-	240
Deferred tax on OCI	-	-	(72)	-	(72)
Total comprehensive income	-	142,167	168	-	142,335
Transfer to retained earnings	-	33,725	-	(33,725)	-
Transactions with owners					-
Dividends paid for the year 2018	-	(33,000)	-	-	(33,000)
At 31 December 2019	**20,000**	**951,340**	**1,049**	**-**	**972,389**
At 1 January 2018	20,000	749,661	699	26,849	797,209
At 1 January 2018	20,000	749,661	699	26,849	797,209
Comprehensive income					
Profit for the year	-	97,663	-	-	97,663
Other comprehensive income (OCI)					
Gain of fair valuation		-	260	-	260
Deferred tax on OCI		-	(78)	-	(78)
Total comprehensive income	-	97,663	182	-	97,845
Transfer from General Reserve	-	(6,876)	-	6,876	-
Transactions with owners					
Dividends paid for the year 2017	-	(32,000)	-	-	(32,000)
At 31 December 2018	**20,000**	**808,448**	**881**	**33,725**	**863,054**

* General Reserve represents 1% provision charged on all current credit accommodation and other risk assets as required by the Bank of Tanzania regulations.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2019 TZS' Millions	2018 TZS' Millions
Cash generated from/(utilized in) operations	**37(a)**	**576,972**	**(213,710)**
Tax paid	15(c)	(60,418)	(68,480)
Net cash generated from/(utilized in) operations		**516,554**	**(282,190)**
Cash flows from investing activities			
Proceeds from government securities		641,480	791,522
Investment in government securities		(659,892)	(608,848)
Purchase of property and equipment	24(a)	(12,649)	(25,530)
Purchase of intangible assets	25	(10,967)	(11,930)
Proceeds on disposal of property and equipment		292	365
Net cash (utilized in) /generated from investing activities		**(41,736)**	**145,579**
Cash flows from financing activities			
Proceeds received from borrowings		88,349	114,565
Principal repaid on borrowings		(113,426)	(83,730)
Interest paid on borrowings		(33,782)	(28,765)
Dividends paid	17	(33,000)	(32,000)
Repayment of lease liabilities	26(c)	(12,243)	-
Net cash used in financing activities		**(104,102)**	**(29,930)**
Net increase/(decrease) in cash and cash equivalents		**370,716**	**(166,541)**
Cash and cash equivalents at beginning of the year		842,714	1,002,394
Effect of movement in foreign exchange		(60)	6,861
Cash and cash equivalents at end of the year	**36**	**1,213,370**	**842,714**
Analysis of cash and cash equivalents at end of the year:			
Cash in hand		498,231	402,709
Balances with Bank of Tanzania (excluding SMR)		450,813	265,614
Deposits and balances due from banking institutions		264,326	174,391
		1,213,370	**842,714**

BANK'S STATEMENT OF CASH FLOWS

	Note	2019 TZS' Millions	2018 TZS' Millions
Cash generated from/(utilised in) operations	**37(b)**	**572,911**	**(213,710)**
Tax paid	15(d)	(56,357)	(68,480)
Net cash generated from/(utilised in)operations		**516,554**	**(282,190)**
Cash flows from investing activities			
Proceeds from government securities		641,480	791,522
Investment in government securities		(659,892)	(608,848)
Purchase of property and equipment	24(b)	(12,649)	(25,530)
Purchase of intangible assets	25	(10,967)	(11,930)
Proceeds on disposal of property and equipment		292	365
Net cash (utilised in) /generated from investing activities		**(41,736)**	**145,579**
Cash flows from financing activities			
Proceeds from borrowings		88,349	114,565
Principal paid on borrowings		(113,426)	(83,730)
Interest paid on borrowings		(33,782)	(28,765)
Dividends paid	17	(33,000)	(32,000)
Repayment of lease liabilities	26(d)	(12,243)	-
Net cash used in financing activities		**(104,102)**	**(29,930)**
Net increase/(decrease) in cash and cash equivalents		**370,716**	**(166,541)**
Cash and cash equivalents at the beginning of the year		842,714	1,002,394
Effect of movement in foreign exchange		(60)	6,861
Cash and cash equivalents end of the year	**36**	**1,213,370**	**842,714**
Analysis of cash and cash equivalents at end of the year:			
Cash in hand		498,231	402,709
Balances with Bank of Tanzania (excluding SMR)		450,813	265,614
Deposits and balances due from banking institutions		264,326	174,391
		1,213,370	**842,714**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

NMB Bank Plc (the "Bank) is a public limited liability company and is incorporated and domiciled in the United Republic of Tanzania. The address of its registered office is as disclosed under corporate information.

The Bank is listed on the Dar es Salaam Stock Exchange (DSE). The Bank has equity investments in Tanzania Mortgage Refinance Company Limited (TMRC) and a subsidiary company named Upanga Joint Venture Company (UJVC) Limited.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

(a) Basis of preparation

The consolidated and Bank financial statements of NMB Bank Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The Consolidated and Bank financial statements have been prepared under the historical cost convention, as modified by the revaluation of debt and equity instruments designated at fair value through other comprehensive income.

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

(b) Changes in accounting policy and disclosures

i) New standards amendments and interpretations adopted by the Group and Bank

The following standards and interpretations became effective in the current year and were relevant to the Group and had material impact on the amounts reported in these financial statements.

IFRS 16 Leases

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019 (date of initial application), but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) Changes in accounting policy and disclosures (continued)

i) New standards amendments and interpretations adopted by the Group and Bank (continued)

On adoption of IFRS 16, the Group and Bank recognized as lease liabilities TZS 37 billion and TZS 160 billion, respectively, in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on that date was 4.5% and 11% for USD and TZS lease contracts respectively. The rates are derived from the average borrowing cost of the Bank for similar loans of similar loan term.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on previous assessments on whether leases are onerous as an alternative to performing
- An impairment review – there were no onerous contracts as at 1 January 2019
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the date of initial application, the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of lease liabilities	GROUP TZS Million	BANK TZS Million
Operating lease commitment disclosed as at 31 December 2018	41,589	425,105
Discounted using the lessee's incremental borrowing rate at the date of initial application	34,819	157,351
Less: Short-term leases	(274)	(274)
Lease liabilities recognized as at 1 January 2019	**34,545**	**157,077**
Current	-	13,146
Non-current	34,545	144,205
	34,545	**157,077**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) Changes in accounting policy and disclosures (continued)

i) New standards amendments and interpretations adopted by the Group and Bank (continued)

(iii) Measurement of right-of-use assets

The right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

(iv) Adjustments recognised in the statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

	GROUP TZS Millions	BANK TZS Millions
Establishment of right-of-use assets of	37,707	172,681
Reduction in prepayment by	3,162	15,604
Establishment of lease liability	34,545	157,077

There was no impact on opening retained earnings on 1 January 2019

Impact on Capital

The recognition of the right of use assets and lease liabilities on Statement of Financial Position will have an impact on the existing framework for calculation of regulatory capital and leverage ratios by the increased amount of assets and liabilities from lease transaction. For regulatory capital purposes, right of use of asset is treated as a tangible asset and apply a risk weight consistent with the risk weight that would be applied to underlying asset.

The adoption of IFRS 16 as at 1 January resulted in decrease of tier 1 and tier 2 capital reported as at 31 December 2018 to 15.8% and 17.72% respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) Changes in accounting policy and disclosures (continued)

i) New standards amendments and interpretations adopted by the Group and Bank (continued)

The following standards and interpretations became effective from 1 January 2019 and were relevant to the Group but had no material impact on the amounts reported in these financial statements.

Title	Key requirements
Prepayment Features with Negative Compensation – Amendments to IFRS 9	The narrow-scope amendment covers two issues: The amendments allow companies to measure particular pre-payable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities. How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings. These amendments had no impact on the consolidated financial statements of the Group.
Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	These amendments require an entity to: • Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and • Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus (recognised or unrecognised). This reflects the substance of the transaction, because a surplus that has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognised in other comprehensive income, and it is not reclassified to profit or loss. The impact of the amendments is to confirm that these effects are not offset. The amendment had no impact on the consolidated financial statements of the Group.
Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28	The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9. This amendment had no impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) Changes in accounting policy and disclosures (continued)

i) New standards amendments and interpretations adopted by the Group and Bank (continued)

Title	Key requirements
Annual Improvements to IFRS Standards 2015-2017 Cycle	The following improvements were finalized in December 2017: • IFRS 3 Business Combinations – clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. • IFRS 11 Joint Arrangements – clarified that the party obtaining joint control of a business that is a joint operation should not re-measure its previously held interest in the joint operation. • IAS 12 Disclosure of Interests in Other Entities – clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. • IAS 23 Borrowing Costs – clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. **These amendments had no impact on the consolidated financial statements of the Group.**
Interpretation 23 Uncertainty over Income Tax Treatments	The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses: • How to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a Group, depending on which approach better predicts the resolution of the uncertainty • That the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored • That the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment • That the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and • That the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements. The Interpretation did not have a significant impact on the consolidated financial statements of the Group. The Group is continues to provide information about judgments and estimates made in determination of liabilities arising from uncertain tax positions. Refer note 4(e).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) Changes in accounting policy and disclosures (continued)

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions

Title	Key requirements	Effective date
Definition of Material – Amendments to IAS 1 and IAS 8	The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: • That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and • The meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.	1 January 2020
Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosure – Interest rate benchmark reform	These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.	1 January 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) Changes in accounting policy and disclosures (continued)

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

Title	Key requirements	Effective date
IFRS 17 Insurance Contracts	IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of: • Discounted probability-weighted cash flows • An explicit risk adjustment, and • A contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.	1 January 2020
Definition of a Business – Amendments to IFRS 3	The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.	1 January 2020

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's Management Team, which is chief operating decision maker. Information about segment operations is provided under Note 5.

(b) Principles of consolidation and equity accounting

The consolidated financial statements incorporate the financial statements of the Bank and an entity controlled by the Bank (its subsidiary). The financial statements of the Bank and its subsidiary are made up to 31 December 2019.

I. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position, respectively.

II. Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Group.

III. Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

IV. Separate financial statements

In the separate financial statements, investment in subsidiary is accounted for at cost less impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Interest income and expense

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

I. Purchased or originated credit-impaired (POCI) financial assets, for which the original credit – adjusted effective is applied to the amortised cost of the financial asset.

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

(d) Fee and commission income and expense

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. Commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party - such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses - are recognised on completion of the underlying transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements in the Group and the Bank are measured using the currency of the primary economic environment in which the Group and the Bank operate ("the functional currency"). The financial statements are presented in Tanzania Shillings (TZS) rounded to the nearest million, which is the Bank's functional currency.

ii. Transactions and balances

Foreign currency transactions are translated into Tanzania Shillings using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income on a net basis within other income or other expenses.

(f) Financial assets and financial liabilities

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instruments. Regular way purchases and sales of financial assets are recognized on trade – date on which the group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus in the case of a financial asset or financial liability not a fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortised cost and investments in debts instruments measured at FVOCI, which results in an accounting loss being recognized in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognizes the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.

(b) In all other cases, the difference is deferred and the timing or recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

Financial assets

(i) Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

- Fair Value through profit or loss (FVPL);
- Fair Value through other comprehensive income (FVOCI); and
- Amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (Continued)

Financial assets (Continued)

(i) Classification and subsequent measurement (continued)

The classification requirements for debts and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

(i) The Group's business model for managing the asset; and

(ii) The cash flow characteristics of the asset.

Based on these factors, the group classifies its debt instruments into one of the following three measurement categories:

- **Amortised cost:** Assets that are held for collection for contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in note 6. Interest income from these financial assets is included in 'Interest income' using effective interest rate method.
- **Fair value through other comprehensive income (FVOCI)**: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principals and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognized in profit and loss. When the financial asset is derecognized in 'Net Investment income', interest income from these financial assets is included in 'interest income' using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequent measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in interest income' using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (Continued)

Financial assets (Continued)

(i) Classification and subsequent measurement (continued)

Debt instruments (Continued)

- **Business model:** the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Group's business model for the mortgage loan book is to hold to collect contractual cash flows, with sales of loans only being made internally to a consolidated SPV for the purpose of collateralising notes issued, with no resulting derecognition by the Group. Another example is the liquidity portfolio of assets, which are held by the Group as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purposes of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. These securities are classified in the 'other' business model and measured at FVPL.

- **SPPI:** Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments or principals and interest (the SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposures to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

The Group reclassifies debts investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Example of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'Net trading income' line in the statement or profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (Continued)

Financial assets (Continued)

(ii) Impairment

The Group assesses on a forward –looking basis the expected credit losses ('ECL') associated with its debt instruments assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability – weighted amount that is determined by evaluating a range of possible outcomes.
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or efforts at the reporting date about past events, current conditions and forecast of future economic conditions.

Details of the Group's impairment policy and disclosures are provided under Note 6.1.3.

(iii) Modifications of Loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantially new terms are introduced, such as a profit share/equity- based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant changes in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affects the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of the initial recognition for impairment calculation purposes, including for the purposes of determining whether a significant increase in credit risk has occurred. However, the Group also assessed whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as gains or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (Continued)

Financial assets (Continued)

(iii) Modifications of Loans (continued)

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). The loan will remain in its original stage until it meets the criteria as described in Note 3 (f) (iv) below.

(iv) Curing of non-performing financial assets including restructured facilities.

An instrument is considered to no longer have SICR or be in default (i.e. to have cured) when it has been established that the obligor is able to meet the requirements of the agreed terms and conditions.

IFRS 9 allows credit exposures to migrate from higher credit risk categories to lower credit risk categories, that is, from stage 3 to stage 2 and from stage 2 to stage 1.

Under migration from stage 3 to stage 2, the Bank shall consider criteria for upgrade of credit accommodations as follows:

i. In the case of overdraft facilities, the account has satisfactorily performed for a minimum period of two consecutive quarters; and

ii. In the case of term loans, the obligor has timely paid four consecutive installments.

On the other hand, credit exposures may migrate from stage 2 to stage 1 when there is a significant improvement of the credit exposure. In determining whether an exposure should shift backward from stage 2 to stage 1, The Bank shall consider the following;

i. All outstanding payments on the credit facility are made on time and there are no payments in arrears.

ii. There is improvement of the quantitative and qualitative factors that caused significant increase of the credit risk.

Upgrade from stage 2 to stage 1 shall be subject to a monitoring period of 90 days for conventional loans and 30 days for Microfinance loans to confirm if the risk of default has decreased sufficiently before upgrading such exposure.

(v) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (Continued)

Financial assets (Continued)

(v) Derecognition other than on a modification(Continued)

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

ii) Is prohibited from selling or pledging the assets; and

iii) Has an obligation to remit any cash it collects from the assets without material delay

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to Changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (Continued)

Financial liabilities (Continued)

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debts instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdraft and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognized in accordance with the principles of IFRS 15

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (Continued)

Offsetting financial instruments

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

(g) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; the difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(h) Current and deferred income taxes

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate in accordance with the Income Tax Act, 2004 adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Tanzania where the Bank's subsidiary operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in in accordance with the Income Tax Act, 2004 is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Current and deferred income taxes (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(k) Non-financial assets

I. Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is provided on the straight-line basis so as to write down the cost of assets to their residual values over their useful economic lives, at the following rates: -

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Non-financial assets (continued)

i. Property and equipment (continued)

Depreciation is provided on the straight-line basis so as to write down the cost of assets to their residual values over their useful economic lives, at the following rates: -

	%
Building	5
Leasehold Improvements	5-50
Motor vehicles	25
Furniture, fittings and equipment	20
Computer equipment	33.3

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income in the profit or loss.

ii. Right-of-use assets

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

The right-of-use assets are subject to impairment in line with the Bank's policy as described in Note 3(l).

iii. Intangible assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period. No indicators of impairment were identified therefore no non-financial assets were impaired in 2019.

(m) Cash and cash equivalents

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

(n) Employee benefits

i. Short-term obligations

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

ii. Other long-term employee benefit obligations

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits (continued)

iii. Post-employment obligations

The Bank operates a defined contribution pension plans. The Bank has a statutory requirement to contribute to the Public Service Social Security Fund (PSSSF) and National Social Security Fund (NSSF), which are defined contribution schemes.

Bank contributes 15% of the required 20% of gross emoluments to the scheme and the contributions are recognised as an expense in the period to which they relate. The remaining 5% is deducted from employees.The subsidiary of the bank does not have any employees. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(o) Share capital

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

(p) Dividend

Dividend distribution to the Bank's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Bank's shareholders.

(q) Earnings per share

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

(r) Leases

Accounting policies applicable in current period under IFRS 16

The Group 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.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The policy on recognition and measurement of right-of-use assets is presented on note 3(k).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Leases (continued)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Accounting policies applicable in prior period under IAS 17

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially, all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other longterm payables. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(s) Contingencies and commitments

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

Financial guarantees

Financial guarantees are initially recognised in the consolidated and Bank financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation.

Acceptances and letters of credit

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

Undrawn commitments

These are commitments the Bank has made to extend credit to customers and are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Comparatives

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

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of Consolidated and Bank financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

a) Measurement of the expected credit loss allowance

The Group measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). The Group uses several significant judgements in applying the accounting requirements for measuring ECL, such as:

- Determination criteria for significant increase in credit risk;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Estimating Probability of default, Exposure at Default and Loss Given Default

Detailed information about the judgement and estimates made by the Group are explained under note 6.

b) Property and equipment, leased premises refurbishments and intangible assets

Critical estimates are made by the Directors in determining the useful lives of property and equipment, leased premises refurbishment and intangible assets as well as their residual values.

c) Business model assessment

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

(d) Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the `SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

e) Taxes

The Group is subjected to several taxes and levies by various government and quasi- government regulatory bodies. As a rule of thumb, the Group recognizes liabilities for the anticipated tax /levies payable with utmost care and diligence. However, significant judgment is usually required in the interpretation and applicability of those taxes /levies. Should it come to the attention of management, in one way or the other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

The recognition of deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profit, future reversals of existing taxable temporary differences and ongoing tax planning and strategies. The deferred tax recognised in the Group's statement of financial position as at 31 December 2019 was TZS 76,788 million (2018: TZS 62,132 million). The judgment takes into consideration the effect of both positive and negative evidence, including historical financial performance, projections of future taxable income and future reversals of existing taxable temporary differences.

f) Provisions

The Bank and Group have provided for the liabilities arising out of contractual obligations. The closing balance of provisions on litigations amounted to TZS 2,230 million (2018: TZS 3,519 million). Professional expert advice is taken on establishing litigation provisions. Provisions for legal proceedings and regulatory matters typically require a higher degree of judgements than other types of provisions. When cases are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists because of past event, estimating the probability of outflows and making estimates of the amount of any outflows that may arise. As matters progress through various stages of the cases, Management together with legal advisers evaluate on an ongoing basis whether provisions should be recognised, and the estimated amounts of any such provisions, revising previous judgements and estimates as appropriate.

g) Fair valuation of financial instruments

The fair value of financial instruments traded in active markets at the financial reporting date is based on their quoted bid market price or dealer price quotations without any deductions for transaction costs. For all other financial assets not listed in an active market, the fair value is determined by using appropriate valuation techniques.

In determining the fair value of government securities that are designated as fair value through other comprehensive income, the Bank uses yields of similar instruments traded in Bank of Tanzania's auctions. Changes in valuation assumptions could affect the reported fair value of financial instruments. For example, to the extent that the directors increased the yield rate by 10 basis point, the fair values would be estimated at TZS 16,703 million (2018: TZS 15,991 million) as compared to their reported fair value of TZS 17,027 million at 31 December 2019 (2018: TZS 15,242 million). If the yield rate had decreased by 10 basis points the fair value would be estimated at TZS 16,670 million (2018: TZS 15,318 million).

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

g) Fair valuation of financial instruments (continued)

In determining the fair value of unquoted equity investment in TMRC, the Bank used a price of recent transaction of the shares of the Company. If the price of the shares would have increased/decreased by 10% the fair value of the investments would have been increased/decreased by TZS 292 million.

(h) Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available. If the discount rate used would have increased by 10%, the lease liability would have decreased by TZS 10,305 million. If the discount rate used would have decreased by 10%, the lease liability would have increased by TZS 11,743 million.

5. SEGMENT REPORTING

The Group has the following business segments: Treasury, Retail, Wholesale banking and UJVC (the Bank's subsidiary). The operating segments are reported in a manner consistent with the internal reporting provided to the Bank's Management Team (The Chief Operating Decision-Maker), which is responsible for allocating resources to the reportable segments and assessing their performances. All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

Operating segments

The Group comprises the following main operating segments:

(i) **Wholesale Banking** - includes loans, deposits and other transactions and balances with corporate customers

(ii) **Retail Banking** - includes loans, deposits and other transactions and balances with retail customers

(iii) **Treasury** - undertakes the Group's funding and centralised risk management activities through borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.

(iv) **UJVC** – includes operations of Upanga Joint Venture Company, a subsidiary of the Bank.

Revenue and assets reported to the Bank's management team are measured in a manner consistent with that of the financial statements.

In arriving to segmented net interest income, an internal allocation of interest income and interest expenses between businesses has been done to recognise and measure how much each source of funding and each user of funding is contributing to overall profitability of the Bank. Operating expenses for the Bank has also been allocated to the business using an internal agreed allocation ratio.

All customers are based in Tanzania, except for interbank placements with corresponding banks. There was no income deriving from transactions with a single external customer that amounted to 10% or more of the Group's total income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT REPORTING (CONTINUED)

The segment information provided to the Bank's Management Team for the reportable segments for the year ended 31 December 2019 is as follows;

(All amounts in TZS million):

2019	Treasury	holesale banking	Retail banking	UJVC	liminations)/ consolidation	Total
Interest income	97,230	74,005	482,738	-	(778)	653,195
Interest expense	(10,396)	(44,401)	(81,536)	(778)	6,291	(130,820)
Net Interest Income	**86,834**	**29,604**	**401,202**	**(778)**	**5,513**	**522,375**
Impairment charges-off and on balance sheet items	-	(37,090)	(63,320)	-	-	(100,410)
Net fees and commission, trading, foreign exchange and other income	25,554	34,139	144,716	6,033	(6,033)	204,409
Employee benefits expense	(16,432)	(34,690)	(131,457)	-	-	(182,579)
General and administrative expenses	(13,893)	(29,330)	(111,143)	(202)	-	(154,568)
Depreciation and amortization	(6,625)	(13,986)	(52,997)	(1,971)	2,212	(73,367)
Profit /(loss) before tax	**75,438**	**(51,353)**	**187,001**	**3,082**	**1,692**	**215,860**
Income tax provision	(25,040)	17,046	(62,072)	(1,056)	-	(71,122)
Profit after tax	**50,398**	**(34,307)**	**124,929**	**2,026**	**1,692**	**144,738**
Segment assets	2,369,940	1,140,342	2,455,346	47,648	(182,945)	5,830,331
Unallocated assets	-	-	-	-	-	587,096
Total assets	**2,369,940**	**1,140,342**	**2,455,346**	**47,648**	**(182,945)**	**6,417,427**
Segment liabilities	347,443	1,443,715	3,512,009	47,648	(182,945)	5,167,870
Unallocated liabilities	-	-	-	-	-	280,455
Equity	-	-	-	-	-	969,102
Total liabilities and equity	**347,443**	**1,443,715**	**3,512,009**	**47,648**	**(182,945)**	**6,417,427**

There was no non-curent assets addition to individual segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT REPORTING (CONTINUED)

The segment information provided to the Bank's Management Team for the reportable segments for the year ended 31 December 2018 is as follows; (all amounts in TZS million):

2018	Treasury	Wholesale banking	Retail banking	UJVC	(Eliminations)/ consolidation	Total
Interest income	100,234	75,618	425,786		(1,083)	600,555
Interest expense	(6,740)	(41,146)	(61,729)	(1,083)	1,083	(109,615)
Net Interest Income	**93,494**	**34,472**	**364,057**	**(1,083)**	**-**	**490,940**
Impairment charges-off and on balance sheet items	-	(59,496)	(77,809)		-	(137,305)
Net fees and commission, trading, foreign exchange and other income	20,914	33,036	141,926	5,980	(6,033)	195,823
Employee benefits expense	(15,784)	(31,568)	(118,797)	-	-	(166,149)
General and administrative expenses	(17,370)	(34,739)	(130,729)	(205)	-	(183,043)
Depreciation and amortization	(5,696)	(11,394)	(42,876)	(1,971)	6,033	(55,904)
Profit /(loss) before tax	**75,558**	**(69,689)**	**135,772**	**2,721**	**-**	**144,362**
Income tax provision	(23,460)	21,638	(42,156)	577	-	(43,401)
Profit after tax	**52,098**	**(48,051)**	**93,616**	**3,298**	**-**	**100,961**
Segment assets	1,987,918	716,511	2,535,283	56,171	(61,721)	5,234,162
Unallocated assets	-	-	-	-	-	442,051
Total assets	**1,987,918**	**716,511**	**2,535,283**	**56,171**	**(61,721)**	**5,676,213**
Segment liabilities	372,360	1,322,221	3,026,156	56,171	(61,721)	4,715,187
Unallocated liabilities	-	-	-	-	-	103,831
Equity	857,195	-	-	-	-	857,195
Total liabilities and equity	**1,229,555**	**1,322,221**	**3,026,156**	**56,171**	**(61,721)**	**5,676,213**

There was no additions of non-current assets to the segments during the year.

6. FINANCIAL RISK MANAGEMENT

The Bank's subsidiary does not have significant operations (Note 22 (b)). The financial assets and liabilities of the Bank's subsidiary mainly consist of loans from related parties that are eliminated on consolidation and other assets and liabilities that are not material to the Group. Consequently, the financial risk management information presented below relates only to the Bank.

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

Risk management is carried out by the Risk Department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk, market risk (foreign exchange risk, interest risk and price risk) and liquidity risk. In addition, internal audit is responsible for the independent review of risk management and the control environment.

6.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business. Management, therefore, carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management and control are centralised in the credit risk management team of the Bank and reported to the Board of Directors and heads of department regularly.

6.1.1 Credit risk measurement

Loans and advances

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This approach is similar to the one used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. The Loan book is split into Term Loans (Secured & unsecured) and off-balance sheet items (these include overdrafts, Letters of Credit and Guarantees).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.1 Credit risk measurement (continued)

The Group considers a term loan to be in default if the repayment of the loan installment (principal and accrued interest) is more than 90 days past due for all product types. A revolving facility is in default if the facility is drawn above the limit for more than 90 consecutive days during the lifetime of the facility or if the drawn amount is still outstanding 90 days after maturity of the facility or if a related term loan is in default.

The Group estimates the Loss Given Default for unsecured term loans based on recoveries on loans that defaulted and were written off and collections from loans that defaulted but were not written off while for secured term loans and overdraft facilities which are all secured the Group considers collateral value discounted using an Effective interest rate. For off balance sheet items, the probability of default has been estimated at 0.05% based on available historical data on performance of off-balance sheet items and loss given default estimated using collateral value discounted using an Effective interest rate.

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

For regulatory purposes and for internal monitoring of the quality of the loan portfolio, all customers are segmented into five rating classes as shown below:

Bank's rating	Number of days past due
Current	0 - 30
Especially mentioned	31 - 90
Sub-standard	91 -180
Doubtful	181 - 360
Loss	361 and more

For internal monitoring of balances with other banks, banks are rated into three categories based on their financial position. Additionally, qualitative characteristics is taken into consideration when scoring a counterparty. Counterparts with history of default are usually rated as Medium to High risk and dealing limits are cancelled.

Bank's rating	Score	Staging
Defaulted	Any	Stage 3
High	2.51 - 3	Stage 2
Medium	1.51 – 2.5	Stage 1
Low	1 -1.51	Stage 1

The Bank's balances with other banks as at 31 December 2019, are all low risk.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.2 Risk limit control and mitigation policies

(a) Lending limits

The Bank manages limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties and groups, and to industries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

The exposure to any one borrower including Banks is further restricted by sub-limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

(b) Collateral

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

- Mortgages over residential and commercial properties;
- Cash collaterals;
- Charges over business assets such as inventory and accounts receivable;
- Government guarantees; and
- Charges over financial instruments such as debt securities and equities.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.2 Risk limit control and mitigation policies (continued)

(b) Collateral (continued)

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Credit impaired assets (amounts in TZS Millions)	Gross exposure	Impairment allowance	Carrying amount	Market Value of Collateral
MSE	26,496	8,722	17,774	82,789
SWL	20,004	10,974	9,030	-
Other consumer loans	6,876	4,245	2,631	2,371
Corporate Customers	115,619	59,471	56,148	134,675
SME	36,664	14,822	21,842	122,101
Agribusiness loans	48,291	31,171	17,120	55,804
Total	**253,950**	**129,405**	**124,545**	**397,740**

(c) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions are collateralising by the underlying shipments of goods to which they relate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (Continued)

6.1.3 Expected credit loss measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Refer to note 6.1.3.1 for a description of how the Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 6.1.3.2 for a description of how the Group defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 6.1.3.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 6.1.3.4 includes an explanation of how the Group has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below:

- Product type (e.g. Overdraft, Term loans, Letter of credit e.t.c)
  Repayment type (e.g. Repayment/Interest only)
- LTV ratio for retail mortgages
- Credit risk grading
- Industry – Agribusiness loans are assessed independently in their own modal
  Collateral type – whether secured or unsecured

The following exposures are assessed individually:

- Stage 3 loans secured loans and overdraft facilities
- Properties in repossession proceedings

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk team.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3: Expected credit loss measurement (Continued)

Grouping of instruments for losses measured on a collective basis (continued)

The Bank groups its exposures based on product type and has specified the following default product segments under the 'product type' criteria where each product is identified by a specific product code.

Secured term loans group - This group comprises all term loans products secured by collateral i.e. legal mortgage, guarantee or cash cover. Products in this group consist of Corporate, MSE, Special Asset Loan, Invoice Financing loans, Personal loans with cash cover, SME, Staff mortgage and car loans.

Unsecured term loans - This comprises all unsecured facilities. Products in this group consist of Staff loans, Salaries Workers' Loans, Advances to NMB Wakala agents,

Agribusiness loans – This group comprises all term loans and overdraft facility advances to customers engaged in agriculture operations. It comprises customers classified as SME and Corporates.

Overdrafts – This group comprises all overdraft advances to customers issued to SME and Corporate customers other than those included in Agribusiness.

Off balance sheet items – This group comprises all financial guarantees, letter of credit and unutilized loan commitments.

6.1.3.1: Significant increase in credit risk (SICR)

The Group considers a financial instrument to have experience a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Qualitative criteria

Loans and advances to customers

A loan facility is assessed to have significant increase in credit risk if the borrower meets one or more of the following criteria:

- Direct debit cancellation;
- Extension to the terms granted;
- Previous arrears within the last 12 months;
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates;
- Actual or expected forbearance or restructuring;
- Actual or expected significant adverse change in operating results of the borrower;
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default;
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans; and
- Identified fraudulent activities in issuing the loan

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3: Expected credit loss measurement (Continued)

6.1.3.1: Significant increase in credit risk (SICR) (continued)

Qualitative criteria (continued)

The assessment of SICR incorporates forward-looking information and is performed on an annual basis at a portfolio level. A watch list is used to monitor credit risk on a monthly basis through Loan Portfolio Quality (LPQ) committee. This assessment is performed at the counterparty level. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Loans and advances to banks

The following qualitative factors are considered as indicators of significant increase in credit risk

- Significant counterparty management restructuring or re-organization due to prolonged poor performance of the entity;
- Significant change in regulatory, economic, or technological environment of the borrower that results in a significant change in ability to meet its debt obligations; and
- Significant reductions in financial support from a parent entity that resulted to significant adverse change of operating results of the counterparty.

Government securities

- Government securities are considered to have experienced a significant increase in credit risk when at least one of the following factors have occurred:
- The government has received a low credit rating ("C") by the International rating agencies; or
- The government has initiated debt restructuring process.

Quantitative criteria:

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Low credit risk exemption

Government securities such as treasury bills and bonds measured at amortised cost and at fair value through other comprehensive income are classified as low credit risk financial instruments and impairment will be recorded only if there is evidence of expected default on Government securities. It is important to note that there is no history of default on the Tanzania Government securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3: Expected credit loss measurement (Continued)

6.1.3.2: Definition of default and credit impaired assets

Loans and advances to customers

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative

The Group considers a term loan to be in default if the repayments on the loan are more than 90 days past due for all product types. Whilst the Group considers Agribusiness loans to be in default if the bullet repayment on the loan is more than 90 days past due and further considering a revolving facility in default if the facility is drawn above the loan limit for more than 90 consecutive days during the lifetime of the facility or if the drawn amount is still outstanding 90 days after maturity of the facility.

Qualitative

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where: -

- The borrower is in long-term forbearance;
- The borrower is deceased;
- The borrower is insolvent;
- The borrower is in breach of financial covenant(s);
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the borrower's financial difficulty;
- Fraudulent activities were conducted in issuance of the loan;
- It is becoming probable that the borrower will enter bankruptcy; and
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3: Expected credit loss measurement (Continued)

6.1.3.2: Definition of default and credit impaired assets Continued)

Loans and advances to banks

For balances due from other banks below events are considered as default when they occur

- When repayments of interest and principal are not done on time as per contractual schedules to the extent of 30 days delay;
- When counterpart is taken under management by Statutory Manager;
- When counterpart licence has been revoked by Central Banks; and
- When counterpart has been declared bankrupt by responsible bodies like Registration, Insolvency and Trusteeship Agency (RITA) and Court.

Government securities

For government securities below events are considered as default when they occur: -

- When repayments of interest and principal are not made on time as per contractual schedules to the extent of 30 days delay;
- When the government is downgraded to below "C" Status by International Rating Agency such as Moody's. S&P or Fitch; and
- When the government is declared default/bankrupt by responsible agencies like World Bank or IMF.

6.1.3.3: Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3: Expected credit loss measurement (Continued)

6.1.3.3: Measuring ECL — Explanation of inputs, assumptions and estimation techniques (continued)

- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3: Expected credit loss measurement (Continued)

6.1.3.4: Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD and vary between secured and unsecured loans and off-balance sheet exposure. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Bank's Strategy Team on an annual basis and provide the best estimate view of the economy over the next three years.

After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to reflect either a long run average rate (e.g. unemployment) or long run average growth rate (e.g. GDP, private credit growth) over a period of the past three years. The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

In addition to the base economic scenario, the Bank's Strategy team also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major segment type to ensure non-linearity are captured. The number of scenarios and their attributes are reassessed at each reporting date. The Group concluded that three scenarios appropriately captured non-linearity.

The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Bank measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3: Expected credit loss measurement (continued)

6.1.3.4: Forward-looking information incorporated in the ECL models

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2019 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

	2019	2020	2021	2022	2023
Credit growth in private sector					
Base	7.5%	9.5%	10%	10.5%	11.0%
Upside	10.5%	12.0%	14%	14.5%	15.0%
Downside	3.5%	4.9%	6.1%	6.5%	7.0%

The weightings assigned to each economic scenario was 80%, 10% and 10% for "base", "upside" and "downside" respectively.

If the credit growth in private sector changed by 10%, the changes in expected loss allowance would have been as follows:

	Expected loss allowance	
Sensitivity Analysis	**Higher end TZS Millions**	**Lower end TZS Millions**
Year ended 31 December 2019		
Secured term loans	211	208
Unsecured term loans	288	284
Overdraft facilities	120	120
Off-balance sheet exposures	-	-
Total expected loss allowance	**619**	**612**

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Credit risk exposure

6.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment

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

(a) Secured Term Loans

	ECL Staging			
Amounts in TZS' Millions	Stage1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 31 December 2019				
Credit grade				
Current	765,001	-	-	765,001
Especially mentioned	-	104,390	-	104,390
Sub-standard	-	-	26,783	26,783
Doubtful	-	-	31,560	31,560
Loss	-	-	77,701	77,701
Gross carrying amount	**765,001**	**104,390**	**136,044**	**1,005,435**
Loss allowance	(6,004)	(19,981)	(65,305)	(91,290)
Carrying amount	**758,997**	**84,409**	**70,739**	**914,145**
As at 31 December 2018				
Credit grade				
Current	745,712	-	-	745,712
Especially mentioned	-	131,529	-	131,529
Sub-standard	-	-	72,409	72,409
Doubtful	-	-	25,517	25,517
Loss	-	-	5,363	5,363
Gross Carrying amount	**745,712**	**131,529**	**103,289**	**980,530**
Loss allowance	(6,705)	(9,039)	(61,560)	(77,304)
Carrying amount	**739,007**	**122,490**	**41,729**	**903,226**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Credit risk exposure (continued)

6.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

(b) Unsecured term loans

	ECL Staging			
Amounts in TZS' Millions	**Stage1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Credit grade				
As at 31 December 2019				
Current	2,261,340	-	-	2,261,340
Especially mentioned	-	8,237	-	8,237
Sub-standard	-	-	8,705	8,705
Doubtful	-	-	10,442	10,442
Loss	-	-	3,326	3,326
Gross carrying amount	**2,261,340**	**8,237**	**22,473**	**2,292,050**
Loss allowance	(17,444)	(178)	(12,682)	(30,304)
Carrying amount	**2,243,896**	**8,059**	**9,791**	**2,261,746**
As at 31 December 2018				
Current	1,898,047	-	-	1,898,047
Especially mentioned	-	14,665	-	14,665
Sub-standard	-	-	3,383	3,383
Doubtful	-	-	12,069	12,069
Loss	-	-	4,181	4,181
Gross carrying amount	**1,898,047**	**14,665**	**19,633**	**1,932,345**
Loss allowance	(7,368)	(126)	(17,181)	(24,675)
Carrying amount	**1,890,679**	**14,539**	**2,452**	**1,907,670**

(c) Agribusiness loans

As at 31 December 2019				
Current	135,498	-	-	135,498
Especially mentioned	-	4,931	-	4,931
Sub-standard	-	-	28,148	28,148
Doubtful	-	-	16,205	16,205
Loss	-	-	3,937	3,937
Gross carrying amount	**135,498**	**4,931**	**48,290**	**188,719**
Loss allowance	(2,178)	(635)	(25,943)	(28,756)
Carrying amount	**133,320**	**4,296**	**22,347**	**159,963**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Credit risk exposure (continued)

6.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment (Continued)

(c) Agribusiness loans (continued)

	ECL Staging			
Amounts in TZS' Millions	**Stage1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Credit grade				
As at 31 December 2018				
Current	65,867	-	-	65,867
Especially mentioned	-	606	-	606
Sub-standard	-	-	3,466	3,466
Doubtful	-	-	1,480	1,480
Loss	-	-	155	155
Gross carrying amount	**65,867**	**606**	**5,101**	**71,574**
Loss allowance	(5,866)	(54)	(2,118)	(8,038)
Net carrying amount	**60,001**	**552**	**2,983**	**63,536**
(d) Overdraft facilities				
As at 31 December 2019				
Current	225,902	-	-	225,902
Especially mentioned	-	9,549	-	9,549
Sub-standard	-	-	4,019	4,019
Doubtful	-	-	6,963	6,963
Loss	-	-	36,161	36,161
Gross carrying amount	**225,902**	**9,549**	**47,143**	**282,594**
Loss allowance	(2,626)	(293)	(19,841)	(22,760)
Carrying amount	**223,276**	**9,256**	**27,302**	**259,834**
As at 31 December 2018				
Current	319,411	-	-	319,411
Especially mentioned	-	13,325	-	13,325
Sub-standard	-	-	16,917	16,917
Doubtful	-	-	27,065	27,065
Loss	-	-	22,226	22,226
Gross carrying amount	**319,411**	**13,325**	**66,208**	**398,944**
Loss allowance	(3,648)	(133)	(17,801)	(21,582)
Carrying amount	**315,763**	**13,192**	**48,407**	**377,362**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Credit risk exposure (continued)

6.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment (Continued)

*(e) Off balance sheet exposures**

	2019 TZS' Millions	2018 TZS' Millions
Undrawn commitments	113,934	49,122
Acceptances and letters of credits	335,968	200,899
Financial guarantees	202,752	361,365
Gross carrying amount	**652,654**	**611,386**
Loss allowance	(6,562)	(5,002)
Net carrying amount	**646,092**	**606,384**

*The off-balance sheet exposures under the credit risk note include only loan commitment and financial contracts that fall within the scope of IFRS 9. Provision for loss allowance relating to off-balance sheet exposures is disclosed under other liabilities.

6.1.5: Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5 Loss allowance (continued)

6.1.5.1 Changes in loss allowance

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

(a) Secured term loans

Amounts in TZS' Millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2019	6,705	9,039	61,560	77,304
Movements				
Transfer from stage 1 to stage 2	(64)	148	-	84
Transfer from stage 1 to stage 3	(323)	-	8,986	8,663
Transfer from stage 2 to stage 1	133	(823)	-	(690)
Transfer from Stage 3 to Stage 1	1	-	(111)	(110)
Unwind of interest	418	695	4,239	5,352
New financial assets originated	4,567	1,203	14,461	20,231
Change in model assumptions and methodologies	(1,850)	9,885	(3,500)	4,535
Total net P or L charge during the period	**2,882**	**11,108**	**24,075**	**38,065**
Other movements with no P or L impact				
Write-offs	(3,583)	(166)	(20,330)	(24,079)
As at 31 December 2019	**6,004**	**19,981**	**65,305**	**91,290**
As at 1 January 2018	4,344	75	42,257	46,676
Movements				
Transfer from stage 1 to stage 2	(3)	5,446	-	5,443
Transfers from stage 1 to stage 3	(6)	-	4,226	4,220
New financial assets originated	4,610	2,795	47,016	54,421
Changes to model assumptions and methodologies	170	723	24,082	24,975
Net profit or loss charge during the period	**4,771**	**8,964**	**75,324**	**89,059**
Other movements with no P or L impact				
Write-offs	(2,410)	-	(56,021)	(58,431)
As at 31 December 2018	**6,705**	**9,039**	**61,560**	**77,304**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5 Loss allowance (continued)

6.1.5.1 Changes in loss allowance (continued)

(b)Unsecured term loans

Amounts in TZS' Millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2019	7,368	126	17,181	24,675
Movements				
Transfer from stage 1 to stage 2	(28)	126	-	98
Transfer from stage 1 to stage 3	(70)	-	9,477	9,407
Transfer from stage 2 to stage 1	17	(24)	-	(7)
Unwinding of interest	1,132	11	321	1,464
New financial assets originated	4,378	41	1,116	5,535
Change in model assumptions	5,369	(202)	(5,479)	(312)
Net profit or loss charge during the period	**10,798**	**(48)**	**5,435**	**16,185**
Other movements with no P or L impact				
Write-offs	(722)	100	(9,934)	(10,556)
As at 31 December 2019	**17,444**	**178**	**12,682**	**30,304**
As at 1 January 2018	8,842	209	14,636	23,687
Movements				
Transfer from stage 1 to stage 3	(347)	-	369	22
Transfer from stage 1 to stage 2	(3)	19	-	16
New financial assets originated	872	4	7,045	7,921
Changes to model assumptions and methodologies	(180)	-	(189)	(369)
Net profit or loss charge during the period	**342**	**23**	**7,225**	**7,590**
Other movements with no P or L impact				
Write-offs	(1,816)	(106)	(4,680)	(6,602)
As at 31 December 2018	**7,368**	**126**	**17,181**	**24,675**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5 Loss allowance (continued)

6.1.5.1 Changes in loss allowance (continued)

(c) Agribusiness loans

Amounts in TZS' Millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2019	5,866	54	2,118	8,038
Movements				
Transfer from stage 1 to stage 2	(248)	557	-	309
Transfer from stage 1 to stage 3	(1,337)	-	5,831	4,494
Unwinding of interest	414	4	30	448
New financial assets originated	2,047	79	25,173	27,299
Change in model assumptions and methodologies	(656)	(10)	3,736	3,070
Net profit or loss charge during the period	**220**	**630**	**34,770**	**35,620**
Other movements with no P or L impact				
Write-offs	(3,908)	(49)	(10,945)	(14,902)
As at 31 December 2019	**2,178**	**635**	**25,943**	**28,756**
As at 1 January 2018	3,249	28	2,644	5,921
Movements				
Transfer from stage 1 to stage 3	(31)	-	597	566
New financial assets originated or purchased	5,484	31	276	5,791
Changes to model assumptions and methodologies	(55)	-	550	495
Net profit or loss charge during the period	**5,398**	**31**	**1,423**	**6,852**
Other movements with no Por L impact				
Write-offs	(2,781)	(5)	(1,949)	(4,735)
As at 31 December 2018	**5,866**	**54**	**2,118**	**8,038**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5 Loss allowance (continued)

6.1.5.1 Changes in loss allowance (continued)

(d) Overdraft facilities

Amounts in TZS' Millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2019	3,648	133	17,801	21,582
Movements				
Transfer from stage 1 to stage 2	(12)	21	-	10
Transfer from stage 1 to stage 3	(84)	-	950	866
Transfer from stage 2 to stage 1	54	(59)	-	(5)
Transfer from Stage 3 to Stage 1	4	-	(262)	(258)
Write-offs	321	21	1,337	1,679
New financial assets originated	249	-	364	613
Change in model assumptions and methodologies	85	206	5,786	6,077
Net profit or loss charge during the period	**617**	**189**	**8,175**	**8,981**
Other movements with no P or L impact				
Write-offs	(1,639)	(29)	(6,135)	(7,803)
As at 31 December 2019	**2,626**	**293**	**19,841**	**22,760**
As at 1 January 2018	1,919	-	41,487	43,406
Movements				
Transfer from stage 1 to stage 2	(16)	63	-	47
Transfer from stage 1 to stage 3	(378)	-	16,893	16,515
New financial assets originated or purchased	1,507	6	12,733	14,246
Changes to model assumptions and methodologies	822	64	61	947
Net profit or loss charge during the period	**1,935**	**133**	**29,687**	**31,755**
Other movements with no P or L impact				
Write-offs	(206)	-	(53,373)	(53,579)
As at 31 December 2018	**3,648**	**133**	**17,801**	**21,582**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5 Loss allowance (continued)

6.1.5.1 Changes in loss allowance (continued)

(e) Off-balance sheet items

	2019	2018
	TZS' Millions	TZS' Millions
As at 1 January	5,002	2,953
Movements		
New financial guarantees	52	2,360
Changes to model assumptions and methodologies	5,120	-
Matured financial guarantees	(3,612)	(311)
Net profit or loss charge during the period	**1,560**	**2,049**
As at 31 December	**6,562**	**5,002**

Allowance charged to profit or loss during the year

Secured loans	6.1.5 (a)	38,066	88,677
Unsecured loans	6.1.5 (b)	16,185	7,739
Agribusiness loans	6.1.5 (c)	35,620	6,847
Overdraft facilities	6.1.5 (d)	8,979	31,993
Off-balance sheet exposures	6.1.5 (e)	1,560	2,049
As at 31 December		**100,410**	**137,305**

6.1.5.2 Changes in gross carrying amount

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

- The high volume of new Salaried Workers Loans and other consumers loans originated during the period, aligned with the Group's organic growth objective, increase the gross carrying amount of the unsecured book by 19% and secured book by 2%, with a corresponding TZS 5,569 million increase in loss allowance for unsecured book, TZS 13,986 million for secured book.
- The write-off from loans of gross carrying amount of TZS 58 billion resulted in the reduction of the loss allowance by TZS 37 billion.
- It is worth noting that changes in model assumptions and incorporation of collaterals in estimation of loss given default (LGD) has largely impacted the loss allowance as of 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5: Loss allowance (continued)

6.1.5.2 Changes in gross carrying amount (continued)

The following table further explains changes in the gross carrying amount and explains their significance to the changes in the loss allowance for the same portfolio as discussed above

(i) Secured term loans

Amounts in TZS' Millions	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at 1 January 2019	745,712	131,529	103,289	980,530
Movements				
Transfer from stage 1 to stage 2	(2,156)	2,156	-	-
Transfer from stage 1 to stage 3	(26,239)	-	26,239	-
Transfer from stage 2 to stage 1	24,665	(24,665)	-	-
Transfer from stage 3 to stage 1	111	-	(111)	-
New financial assets originated	616,586	17,228	34,792	668,606
Write-offs	(16)	(1,306)	(18,677)	(19,999)
De-recognition	(593,662)	(20,552)	(9,488)	(623,702)
As at 31 December 2019	**765,001**	**104,390**	**136,044**	**1,005,435**
As at 1 January 2018	715,538	20,712	70,639	806,889
Movements				
Transfer from stage 1 to stage 2	(39,295)	39,295	-	-
Transfer from stage 1 to stage 3	(76,456)	-	76,456	-
New financial assets originated	590,710	92,188	12,215	695,113
Write-offs	(2,410)	-	(56,021)	(58,431)
De-recognition	(442,375)	(20,666)	-	(463,041)
As at 31 December 2018	**745,712**	**131,529**	**103,289**	**980,530**
(ii) Unsecured term loans				
As at 1 January 2019	1,898,047	14,665	19,633	1,932,345
Movements				
Transfer from stage 1 to stage 2	(5,884)	5,884	-	-
Transfer from stage 1 to stage 3	(16,649)	-	16,649	-
Transfer from stage 2 to stage 1	1,184	(1,184)	-	-
New financial assets originated	614,890	1,767	2,630	619,287
Write-offs	(715)	(4,599)	(11,618)	(16,932)
De-recognition	(229,533)	(8,296)	(4,821)	(242,650)
As at 31 December 2019	**2,261,340**	**8,237**	**22,473**	**2,292,050**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5 Loss allowance (continued)

6.1.5.2 Changes in gross carrying amount (continued)

(ii) Unsecured term loans

	Stage 1	Stage 2	Stage 3	
Amounts in TZS' Millions	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
As at 1 January 2018	1,577,524	20,543	17,231	1,615,298
Movements				
Transfer from stage 1 to stage 2	(11,234)	11,234	-	-
Transfer from stage 1 to stage 3	(13,040)	-	13,040	-
New financial assets originated	346,613	1,419	258	348,290
Write-offs	(1,816)	(106)	(4,680)	(6,602)
De-recognition	-	(18,425)	(6,216)	(24,641)
As at 31 December 2018	**1,898,047**	**14,665**	**19,633**	**1,932,345**

(iii) Agribusiness

As at 1 January 2019	65,867	606	5,101	71,574
Movements				
Transfer from stage 1 to stage 2	(3,031)	3,031	-	-
Transfer from stage 1 to stage 3	(9,843)	-	9,843	-
New financial assets originated	130,988	1,697	38,182	170,867
Write-offs	-	(30)	(1,030)	(1,060)
De-recognition	(48,483)	(373)	(3,806)	(52,662)
As at 31 December 2019	**135,498**	**4,931**	**48,290**	**188,719**
As at 1 January 2018	30,590	311	6,912	37,813
Movements				
Transfer from stage 1 to stage 3	(2,533)	-	2,533	-
New financial assets originated	61,070	484	122	61,676
Write-offs	(2,781)	(5)	(1,949)	(4,735)
De-recognition	(20,479)	(184)	(2,517)	(23,180)
As at 31 December 2018	**65,867**	**606**	**5,101**	**71,574**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5 Loss allowance (continued)

6.1.5.2 Changes in gross carrying amount (continued)

(iv) Overdraft facilities

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2019	319,411	13,325	66,208	398,944
Movements				
Transfer from stage 1 to stage 2	(32)	32	-	-
Transfer from stage 1 to stage 3	(950)	-	950	-
Transfer from stage 2 to stage 1	694	(694)	-	-
Transfer from stage 3 to stage 1	262	-	(262)	-
New financial assets originated	10,020	62	520	10,602
Write-offs	-	-	(20,174)	(20,174)
De-recognition	(103,503)	(3,176)	(99)	(106,778)
As at 31 December 2019	**225,902**	**9,549**	**47,143**	**282,594**
As at 1 January 2018	351,465	-	80,532	431,997
Movements				
Transfer from stage 1 to stage 2	(12,639)	12,639	-	-
Transfer from stage 1 to stage 3	(61,726)	-	61,726	-
New financial assets originated	53,156	739	1,777	55,672
Write-offs	(206)	-	(53,373)	(53,579)
De-recognition	(10,639)	(53)	(24,454)	(35,146)
As at 31 December 2018	**319,411**	**13,325**	**66,208**	**398,944**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.6 Write-off policy

The Group writes off financial assets that have been past due for more than 365 days. The Bank may write-off some financial assets in whole or in part before the 365 days threshold when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full. The Bank may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2019 was TZS 58 billion. The Bank still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

6.1.7. Modification of loans

The following table includes summary information for financial assets with lifetime ECL whose cash flows were modified during the period as part of the Bank's restructuring activities and their respective effect on the Bank's financial performance:

	2019 TZS' Millions	2018 TZS' Millions
Loans and advance to customers **Amounts in TZS Millions**		
Gross amount before modification	21,157	31,132
Net modification loss	2,863	307

The net modification loss above represents the changes in the gross carrying amounts (i.e. before impairment allowance) of the financial assets from immediately before, to immediately after, modification. In majority of cases, this gross loss had been anticipated and already materially reflected within the ECL allowance. The gross carrying amount of restructured facilities held as at 31 December 2019 was TZS 20,188 million (2018: TZS 28,702 million).

6.1.8 Amounts due from banks

Balances due from other banks are categorized as stage 1. The Loss Given Default (LGD) for these assets is zero hence no impairment was recognized as at 31 December 2019 (2018: Nil). The expected credit loss is expected to be insignificant. The Bank holds treasury bonds with face value of TZS 696.2 billion in respect to these balances (2018: Treasury bonds of TZS 3 billion and treasury bills of TZS 38.9 billion).

6.1.9 Debt securities, treasury bills and other eligible bills

The Bank hold investments in Treasury Bills and Treasury bonds issued by the Government. At the end of reporting period, these investments were categorized as stage 1. There are no credit ratings for these investments. The Loss Given Default (LGD) for these assets is almost Nil hence no impairment was recognized as at 31 December 2019 (2018: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.10 Balances with Bank of Tanzania and other assets

Other assets and balances with Bank of Tanzania are categorized as stage 1 and stage 3. The simplified model has been used for estimation of ECL. The impact has been determined to be insignificant.

6.1.11 Repossessed collateral

During the year, the Bank did not obtain assets by taking possession of collateral held as security. Repossessed properties are usually sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

6.1.12 Concentration of risks of financial assets with credit risk exposure

Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2019. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.12 Concentration of risks of financial assets with credit risk exposure (continued)

Geographical sectors (continued)

	Tanzania	Europe	America	Others	Total
Credit risk exposures relating to on-balance sheet assets are as follows:	**TZS Millions**	**TZS Millions**	**TZS Millions**	**TZS Millions**	**TZS Millions**
31 December 2019					
Balances with the Bank of Tanzania	842,909	-			842,909
Placement and balances with other banks	56,017	63,273	77,785	67,251	264,326
Investment in Government securities					
- Amortised cost	744,527	-	-	-	744,527
- Fair value through Other Comprehensive Income	17,027	-	-	-	17,027
Loans and advances to customers:					
- MSEs	346,100	-	-	-	346,100
- Other consumer loans	136,697	-	-	-	136,697
- Salaried workers loans	2,150,573	-	-	-	2,150,573
- Corporate customers	590,945	-	-	-	590,945
- SMEs	211,405	-	-	-	211,405
- Agribusiness	159,968				159,968
Other assets (excluding prepayments)	47,762	-	-	-	47,762
As at 31 December 2019	**5,303,930**	**63,273**	**77,785**	**67,251**	**5,512,239**
Credit risk exposures relating to off-balance sheet assets are as follows:					
Guarantees and indemnities (Note 39(a))	202,752	-	-	-	202,752
Undrawn commitments (Note 39(a))	113,934	-	-	-	113,934
Acceptances and letters of credit (Note 39(a))	335,968	-	-	-	335,968
As at 31 December 2019	**652,654**	-	-	-	**652,654**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.11 Concentration of risks of financial assets with credit risk exposure (continued)

(a) Geographical sectors (continued)

	Tanzania	Europe	America	Others	Total
Credit risk exposures relating to on-balance sheet assets are as follows:	**TZS Millions**	**TZS Millions**	**TZS Millions**	**TZS Millions**	**TZS Millions**
31 December 2018					
Balances with the Bank of Tanzania	667,713	-	-	-	667,713
Placement and balances with other banks	51,099	69,675	11,176	42,441	174,391
Investment in Government securities					
- Amortised cost	724,943	-	-	-	724,943
- Fair value through Other Comprehensive Income	15,242	-	-	-	15,242
Loans and advances to customers:					
- MSEs	347,203	-	-	-	347,203
- Other consumer loans	125,517	-	-	-	125,517
- Salaried workers loans	1,802,798	-	-	-	1,802,798
- Corporate customers	636,858	-	-	-	636,858
- SMEs	212,950	-	-	-	212,950
- Agribusiness loans	126,468	-	-	-	126,468
Other assets (excluding prepayments)	34,742	-	-	-	34,742
As at 31 December 2018	**4,745,533**	**69,675**	**11,176**	**42,441**	**4,868,825**
Credit risk exposures relating to off-balance sheet assets are as follows:					
Guarantees and indemnities (Note 39(a))	212,113	-	-	-	212,113
Undrawn commitments (Note 39(a))	129,355	-	-	-	129,355
Acceptances and letters of credit (Note 39(a))	200,899	-	-	-	200,899
As at 31 December 2018	**542,367**	**-**	**-**	**-**	**542,367**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

6.1.11 Concentration of risks of financial assets with credit risk exposure (continued)

(b) Industry sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by the industry sectors of its counterparties. (Amounts are in TZS' Millions):

31 December 2019	Financial institutions	Manufacturing	Trading and commercial	Transport and communication	Wholesale and retail	Agriculture	Individuals	Others	Total
Balances with the Bank of Tanzania	842,909	-	-	-	-	-	-	-	842,909
Placement and balances with other banks	264,326	-	-	-	-	-	-	-	264,326
Investment in Government securities									
- Amortised cost	744,527	-	-	-	-	-	-	-	744,527
- Fair value through Other comprehensive income	17,027	-	-	-	-	-	-	-	17,027
Loans and advances to customers:									
- MSE	-	28	22,282	28	303,736	926	-	19,100	346,100
- Other consumer loans	-	56,855	79,192	9	-	-	-	641	136,697
- Salaries workers loans	-	-	-	-	-	-	2,150,573	-	2,150,573
- Corporate customers	64,898	268,647	128,362	113,098	-	7,036	-	8,904	590,945
- SMEs	-	2,183	91,934	5,697	30,068	5,055	-	76,468	211,405
- Agribusiness	-	-	40,694	-	21,119	87,495	-	10,660	159,968
Other assets (excluding prepayments)	-	-	-	-	-	-	-	47,762	47,762
As at 31 December 2019	**1,933,687**	**327,713**	**362,464**	**118,832**	**354,923**	**100,512**	**2,150,573**	**163,535**	**5,512,239**

Credit risk exposures relating to off-balance sheet assets are as follows:

Guarantees and indemnities - (Note 39(a))	10,192	14,060	52,863	25,353	41,053	-	-	59,230	202,751
Undrawn commitments (Note 39(a))	-	30,520	14,425	644	67,633	-	-	713	113,935
Acceptances and letters of credit (Note 39(a))	-	4,165	236,556	34,950	260	-	-	60,037	335,968
As at 31 December 2019	**10,192**	**48,745**	**303,844**	**60,947**	**108,946**	**-**	**-**	**119,980**	**652,654**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.11 Concentration of risks of financial assets with credit risk exposure (continued)

Industry sectors (continued)

31 December 2018	Financial institutions	Manufacturing	Trading and commercial	Transport and communication	Wholesale and retail	Agriculture	Individuals	Others	Total
Balances with the Bank of Tanzania	667,713	-	-	-	-	-	-	-	667,713
Placement and balances with other banks	174,391	-	-	-	-	-	-	-	174,391
Investment in Government securities		-	-	-	-	-	-	-	
- Amortised cost	724,943	-	-	-	-	-	-	-	724,943
- Fair value through Other comprehensive income	15,242	-	-	-	-	-	-	-	15,242
Loans and advances to customers:									
- MSE	-	15	12,218	-	326,771	-	8,199	-	347,203
- Other consumer loans	-	-	-	-	-	-	-	125,517	125,517
- Salaries workers loans	-	-	-	-	-	-	1,802,798	-	1,802,798
-Corporate customers	-	99,952	196,764	97,420	230,212	12,510	-	-	636,858
-SMEs	-	6,454	135,872	5,564	65,060	-	-	-	212,950
-Agribusiness	-	-	20,510	-	22,142	79,429	-	4,387	126,468
Other assets (excluding prepayments)	-	-	-	-	-	-	-	34,742	34,742
As at 31 December 2018	**1,582,289**	**106,421**	**365,364**	**102,984**	**644,185**	**91,939**	**1,810,997**	**164,646**	**4,868,825**

Credit risk exposures relating to off-balance sheet assets are as follows:

Guarantees and indemnities - (Note 39(a))	-	-	-	106	15,790	1,598	-	194,619	212,113
Undrawn commitments (Note 39(a))	2,886	44,100	5,417	6,483	54,283	11,073	-	5,113	129,355
Acceptances and letters of credit (Note 39(a))	2,470	8,364	86,935	21,717	33,406	1,917	-	46,090	200,899
As at 31 December 2018	**5,356**	**52,464**	**92,352**	**28,306**	**103,479**	**14,588**	**-**	**245,822**	**542,367**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, and foreign exchange rates. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in the Bank's treasury department and monitored regularly. Regular reports are submitted to the Banks Assets and Liability Committee (ALCO) and heads of department.

Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the Bank's retail and corporate banking assets and liabilities.

6.2.1 Foreign exchange risk

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

The table below summarizes the Bank's exposure to foreign currency exchange rate risk at 31 December 2019. Included in the table are the Bank's financial instruments at carrying amounts, categorized by currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2. Market risk (continued)

6.2.1 Foreign exchange risk (continued)

Concentrations of currency risk - on - and off - balance sheet financial instruments:

As at 31 December 2019	USD	EURO	GBP	Others	Total
	Millions	Millions	Millions	Millions	Millions
Assets					
Cash and balances with Bank of Tanzania	130,938	5,365	1,145	490	137,938
Placement and balances with other banks	124,089	70,165	12,559	1,496	208,309
Loans and advances to customers	288,621	-	-	-	288,621
Other assets (excluding prepayments)	1,120	26	-	-	1,146
Total financial assets	**544,768**	**75,556**	**13,704**	**1,986**	**636,014**
Liabilities					
Deposits from customers	392,028	22,234	1,700	-	415,962
Deposits from banks	219	-	-	-	219
Long term borrowing	112,142	-	-	-	112,142
Lease liabilities	94,808	-	-	-	94,808
Other liabilities (excluding non-financial other liabilities)	4,380	5	2	-	4,387
Total financial liabilities	**603,577**	**22,239**	**1,702**	**-**	**627,518**
Net on-balance sheet financial position	**(58,809)**	**53,317**	**12,002**	**1,986**	**8,496**
Off balance sheet position					
Guarantee and indemnities	123,479	-	-	-	123,479
Undrawn commitments	47,557	-	-	-	47,557
Acceptance and letters of credit	278,339	13,599	1,004	-	292,942
	449,375	**13,599**	**1,004**	**122,299**	**463,978**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2. Market risk (continued)

6.2.1 Foreign exchange risk (continued)

Concentrations of currency risk - on - and off - balance sheet financial instruments:

As at 31 December 2018	USD	EURO	GBP	Others	Total
	Millions	Millions	Millions	Millions	Millions
Assets					
Cash and balances with Bank of Tanzania	150,067	4,730	860	1,008	156,665
Placement and balances with other banks	76,434	33,071	13,292	528	123,325
Loans and advances to customers	263,434	-	-	-	263,434
Other assets (excluding prepayments)	283	26	-	-	309
Total financial assets	**490,218**	**37,827**	**14,152**	**1,536**	**543,733**
Liabilities					
Deposits from customers	325,087	12,168	1,097	-	338,352
Long term borrowing	174,647	-	-	-	174,647
Other liabilities (excluding non-financial other liabilities)	1,761	4	3		1,768
Total financial liabilities	**501,495**	**12,172**	**1,100**	**-**	**514,767**
Net on-balance sheet financial position	**(11,277)**	**25,655**	**13,052**	**1,536**	**28,966**
Off balance sheet position					
Guarantee and indemnities	139,934	-	-	-	139,934
Undrawn commitments	47,833	-	-	-	47,833
Acceptance and letters of credit	179,671	11,428	1,029	-	192,128
	367,438	**11,428**	**1,029**	**-**	**379,895**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.1 Foreign exchange risk (continued)

Foreign exchange sensitivity analysis

The impact of fluctuation of Bank's post tax profit for the year resulting from foreign exchange movements, keeping all other variables held constant on translation of foreign currency dominated cash and balances with the Bank of Tanzania, placements and balances with other banks, loans and deposits from customers and other banks is analysed in the table below

	% change in exchange rate	2019	2018
		TZS Million	TZS Million
USD	10%	**5,881**	1,128
EURO	10%	**5,332**	2,566
GBP	10%	**1,220**	1,305

The effect of translation of placements and balances with other banks in other currencies (Kenyan shillings, Ugandan Shillings, Japanese Yen, Swiss Francs, Canadian dollars, Indian Rupees, Rwandese Francs, Australian dollars, Norwegian Krona, Swedish Krona and South African Rand) is not considered to be significant.

6.2.2 Interest rate risk

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

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Bank's Asset and Liability Committee (ALCO) sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly by the Bank. The table below summaries the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorized by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.2 Interest rate risk (continued)

As at 31 December 2019	Up to1 month TZS Millions	1 - 3 months TZS Millions	3 - 12 months TZS Millions	1- 5 years TZS Millions	Over 5 years TZS Millions	Non-interest bearing TZS Millions	Total TZS Millions
Assets							
Cash and balances with Bank of Tanzania	-	-	-	-	-	1,341,140	1,341,140
Investment in Government securities							
-Amortised cost	25,201	96,956	226,211	309,441	86,718	-	744,527
-Fair value through other comprehensive income	-	-	-	-	17,027	-	17,027
Placement and balances with other banks	208,309	-	-	-	-	56,017	264,326
Loans and advances to customers	272,780	625,671	1,746,583	568,521	382,133	-	3,595,688
Equity Investments	-	-	-	-	-	2,920	2,920
Other assets (excluding prepayments)	-	-	-	-	-	47,762	47,762
Total financial assets	**506,290**	**722,627**	**1,972,794**	**877,962**	**485,878**	**1,447,839**	**6,013,390**
Liabilities							
Deposits from customers	1,658,380	86,549	495,316	168,200	-	2,513,833	4,922,278
Deposit from banks	10	1,500	21,614	-	-	10,322	33,446
Long term borrowing	-	19,472	96,095	156,336	-	4,542	276,445
Subordinated Debt		-	-	51,143	17,047	2,808	70,998
Lease liabilities	58	51	786	20,111	135,024	-	156,030
Other liabilities (excluding non-financial other liabilities)	-	-	-	-	-	96,116	96,116
Total financial liabilities	**1,658,448**	**107,572**	**613,811**	**395,790**	**152,071**	**2,927,621**	**5,555,313**
Total interest repricing gap	**(1,152,158)**	**615,055**	**1,358,983**	**482,172**	**333,807**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.2 Interest rate risk (continued)

As at 31 December 2018	Up to1 month TZS Millions	1 - 3 months TZS Millions	3 - 12 months TZS Millions	1- 5 years TZS Millions	Over 5 years TZS Millions	Non-interest bearing TZS Millions	Total TZS Millions
Assets							
Cash and balances with Bank of Tanzania	-	-	-	-	-	1,070,422	1,070,422
Investment in Government securities							
- Amortised cost	26,806	239,284	162,771	233,875	62,207	-	724,943
- Fair value through other comprehensive income	-	-	-	38	15,204	-	15,242
Placement and balances with other banks	174,391	-	-	-	-	-	174,391
Loans and advances to customers	216,133	122,329	689,949	1,433,532	789,851	-	3,251,794
Equity Investments	-	-	-	-	-	2,920	2,920
Other assets (excluding prepayments)	-	-	-	-	-	34,742	34,742
Total financial assets	**417,330**	**361,613**	**852,720**	**1,667,445**	**867,262**	**1,108,084**	**5,274,454**
Liabilities							
Deposits from customers	1,772,398	144,940	223,335	164,726	-	2,022,208	4,327,607
Deposit from banks	20,770	-	-	-	-	-	20,770
Subordinated debt	2,782			17,048	51,142		70,972
Long term borrowing	4,404	69,000	84,728	143,256	-	-	301,388
Other liabilities (excluding non-financial other liabilities)	-	-	-	-	-	82,902	82,902
Total financial liabilities	**1,800,354**	**213,940**	**308,063**	**325,030**	**51,142**	**2,105,110**	**4,803,639**
Total interest repricing gap	**(1,383,024)**	**147,673**	**544,657**	**1,342,415**	**816,120**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.2 Interest rate risk (continued)

Interest rate risk sensitivity

The interest rate risk sensitivity of the net mismatch between interest bearing assets and liabilities up to 12 months is summarised below. This assumes a 1% adverse movement in interest rates over the period (amounts in TZS million).

Sensitivity period	Weighted average	Net Interest-Bearing Funding	Net position	Impact
2019				
Less than 30 days	**(1,127)**	**(112,700)**	**111,573**	**1,116**
1 year	**(1,302)**	**(326,882)**	**325,580**	**3,256**
2018				
Less than 30 days	(1,667)	(166,656)	164,990	1,650
1 year	40,632	840,883	(800,250)	(8,003)

6.3 Liquidity risk

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

6.3.1 Liquidity risk management process

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

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Bank maintains 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 statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets (Notes 6.3.3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Liquidity risk (continued)

6.3.2 Funding approach

Sources of liquidity are regularly reviewed by Bank's Asset and Liability Committee to maintain a wide diversification by currency, geography, provider, product and term.

6.3.3 Non-derivative cash flows

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of reporting period. The amounts disclosed in the table below are the undiscounted cash flows. As at 31 December 2019, the interest-bearing deposits had a balance of TZS 2,408,445 million (2018: TZS 3,083,945 million).

As at 31 December 2019	Up to1 month	1 - 3 months	3 - 12 months	Over 1 year	Total
Liabilities	**TZS millions**	**TZS millions**	**TZS millions**	**TZS millions**	**TZS millions**
Deposits from customers	4,184,654	87,357	520,371	187,115	4,979,497
Deposits from banks	10,332	1,500	21,614	-	33,446
Long term borrowing*	7,314	25,282	58,439	188,339	279,374
Subordinated debt*	795	1,589	7,285	108,667	118,336
Lease liabilities	531	996	5,030	385,920	392,477
Other liabilities (excluding non-financial liabilities)	96,116	-	-	-	96,116
Total liabilities	**4,299,742**	**116,724**	**612,739**	**870,041**	**5,899,246**
Assets held for managing liquidity	**1,881,193**	**313,375**	**820,962**	**2,997,860**	**6,013,390**
As at 31 December 2018					
Liabilities					
Deposits from customers	3,786,600	182,338	515,297	1,092,417	5,576,652
Deposits from banks	20,770	-	-	-	20,770
Long term borrowing*	1,298	81,380	96,311	150,802	329,791
Subordinated debt*	795	4,345	7,285	118,363	130,788
Other liabilities (excluding non-financial liabilities)	82,902	-	-	-	82,902
Total liabilities	**3,892,365**	**268,063**	**618,893**	**1,361,582**	**6,140,903**
Assets held for managing liquidity	**1,525,414**	**361,613**	**852,720**	**2,534,707**	**5,274,454**

* Includes interest payable on the loan up to its maturity date as per repayment schedule. The amount is determined by using the exchange rate and LIBOR rate at year-end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Liquidity risk (continued)

6.3.4 Assets held for managing liquidity risk

The Bank's assets held for managing liquidity risk comprise:

Cash and balances with the Bank of Tanzania (excluding SMR);

Investment in government securities; and

Placements with other banks:

In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The Bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

6.4 Off-balance sheet items

(a) Undrawn commitments, outstanding letters of credit, guarantee and indemnities

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 39) are summarised in the table below.

(b)Financial guarantees and other financial facilities

Financial guarantees (Note 39) are also included below based on the earliest contractual maturity date.

	No later than 1 year	1 - 5 years	Total
	TZS' Millions	TZS' Millions	TZS' Millions
As at 31 December 2019			
Guarantee and indemnities	197,862	4,890	202,752
Undrawn commitments	113,934	-	113,934
Acceptance and letter of credit	317,237	18,731	335,968
Total	**629,033**	**23,621**	**652,654**
As at 31 December 2018			
Guarantee and indemnities	24,121	187,992	212,113
Undrawn commitments	129,355	-	129,355
Acceptance and letter of credit	200,899	-	200,899
Total	**354,375**	**187,992**	**542,367**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.5 Fair value of financial assets and liabilities

6.5.1 Fair value estimation

IFRS 13 requires the Bank to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The Bank specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

There were no transfers between the levels during the year.

i) Fair value of the Group financial assets and financial liabilities that are measured at fair value on recurring basis

The following table gives information about how the fair value of these financial assets and liabilities are determined:

Type	Fair value at 2019 TZS Millions	2018 TZS Millions	Hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable input to fair value
Investment in government securities	17,027	15,242	Level 2	Market observable inputs	N/A	N/A
Equity instruments	2,920	2,920	Level 2	Market observable inputs	N/A	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.5 Fair value of financial assets and liabilities (continued)

6.5.1 Fair value estimation (continued)

ii) Fair value of financial assets and liabilities that are not measured at fair value

Cash and balances with Bank of Tanzania

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

Investment in government securities

Investment in government securities includes treasury bonds and treasury bills. The fair value of government securities has been determined by discounting the estimated future cash flows expected cash flows at current market yields as observed from rates of similar bills and bonds traded by Bank of Tanzania.

Loans and advances to banks

Loans and advances to banks include inter-bank placements and items in the course of collection.

The carrying amount of floating rate placements and overnight advances is a reasonable approximation of fair value. The estimated fair value of fixed interest-bearing advances is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

Loans and advances to customers

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

Deposits from banks and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity

Borrowings

Significant portion of borrowing is benchmarked to LIBOR and therefore reprices at balance sheet date. Management has considered the impact of borrowings with fixed interest rate as insignificant to the total fair value of borrowings. The fair value of borrowings therefore approximates its carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.5 Fair value of financial assets and liabilities (continued)

6.5.1 Fair value estimation (continued)

ii) Fair value of financial assets and liabilities that are not measured at fair value (continued)

		Carrying amount		Fair value	
		2019	2018	2019	2018
GROUP	Hierarchy level	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions
Financial assets					
Cash and balances with Bank of Tanzania	Level 2	1,341,140	1,070,422	1,341,140	1,070,422
Government securities at amortised cost (Treasury bonds)	Level 1	471,720	476,503	453,901	468,409
Government securities at amortised cost (Treasury bills)	Level 2	272,807	248,440	275,525	249,411
Placement and balances with other banks	Level 2	264,326	174,391	264,326	174,391
Loans and advances to customers	Level 3	3,583,505	3,241,401	3,583,505	3,240,652
Other assets (excluding prepayment)	Level 3	51,350	41,028	51,350	41,028
		5,984,848	**5,252,185**	**5,969,747**	**5,244,313**
Financial liabilities					
Deposits from customers	Level 3	4,916,551	4,315,220	4,916,551	4,315,220
Deposits from banks	Level 2	33,446	20,770	33,446	20,770
Subordinated debt	Level 3	70,998	70,972	70,998	70,972
Borrowings	Level 3	276,446	301,388	276,446	301,388
Other liabilities (Excluding non-financial other liabilities)	Level 3	96,369	96,377	96,369	96,377
		5,393,810	**4,804,727**	**5,393,810**	**4,804,727**

There was no transfer of assets between the fair value hierarchy levels.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.5 Fair value of financial assets and liabilities (continued)

6.5.1 Fair value estimation (continued)

ii) Fair value of financial assets and liabilities that are not measured at fair value (continued)

		Carrying amount		Fair value	
		2019	2018	2019	2018
BANK	Hierarchy level	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions
Financial assets					
Cash and balances with Bank of Tanzania	Level 2	1,341,140	1,070,422	1,341,140	1,070,422
Government securities at amortised cost (Treasury bonds)	Level 1	471,720	476,503	453,901	468,409
Government securities at amortised cost (Treasury bills)	Level 2	272,807	248,440	275,525	249,411
Placement and balances with other banks	Level 2	264,326	174,391	264,326	174,391
Loans and advances to customers	Level 3	3,595,688	3,251,794	3,595,688	3,251,045
Other assets (Excluding prepayment)	Level 3	47,762	34,742	47,762	34,742
		5,993,443	**5,256,292**	**5,978,342**	**5,248,420**
Financial liabilities					
Deposits from customers	Level 3	4,922,278	4,327,607	4,922,278	4,327,607
Due to other banks	Level 2	33,446	20,770	33,446	20,770
Subordinated debt	Level 3	70,998	70,972	70,998	70,972
Borrowings	Level 3	276,446	301,388	276,446	301,388
Other liabilities (Excluding non-financial other liabilities)	Level 3	89,615	82,902	89,615	82,902
		5,392,783	**4,803,639**	**5,392,783**	**4,803,639**

There was no transfer of assets between the fair value hierarchy levels.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Capital management

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

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

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 supervisory purposes. The required information is filed with the BoT on a quarterly basis.

The Bank of Tanzania requires each bank or banking group to:

(a) Hold a minimum level of core capital of TZS 15 billion;

(b) Maintain a ratio of core capital to the risk-weighted assets plus risk-weighted off-balance sheet assets or above the required minimum of 10%; and

(c) Maintain total capital of not less than 12% of risk-weighted assets plus risk-weighted off-balance sheet items.

(d) Maintain a capital conservation buffer of 2.5% of risk-weighted assets and off-balance sheet exposures from August 2018. The capital conservation buffer is made up of items that qualify as tier 1 capital.

When a bank is holding capital conservation buffer of less than 2.5% of risk-weighted assets and off-balance sheet exposures but is meeting its minimum capital requirements that bank:

- Shall not be distribute dividends to shareholders or bonuses to senior management and other staff members until the buffer is restored to at least 2.5%;
- Shall submit a capital restoration plan to Bank of Tanzania within a period specified by BoT, indicating how the bank is going to raise capital to meet its minimum requirement including capital conservation buffer within a specified period of time; and
- In the event that BoT does not approve the capital restoration plan, it may direct the bank to raise additional capital within a specified time period in order to restore its capital conservation buffer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Capital management (continued)

The Bank's regulatory capital as managed by its Treasury Department is divided into two tiers:

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

The risk-weighted assets are measured 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 collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarizes the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2019 and year ended 31 December 2018. During those two periods, the Bank complied with all the externally imposed capital requirements to which it is subject.

	Note	2019 TZS' Millions	2018 TZS' Millions
Tier 1 capital			
Share capital		20,000	20,000
Retained earnings		951,340	808,448
Excess impairment –IFRS 9[(a)]		-	8,847
Less: Prepaid expenses	23(b)	(39,896)	(43,627)
Less: Intangible assets [(b)]	25	-	(21,241)
Less: Deferred tax assets	27	(77,084)	(61,229)
Total qualifying Tier 1 capital (A)		**854,360**	**711,198**
Tier 2 capital			
Subordinated debt		70,998	70,972
Accrued interest		(2,808)	(2,782)
General risk reserve [(b)]		-	33,725
Fair valuation reserve		1,049	881
Total qualifying Tier 2 capital (B)		**69,239**	**102,796**
Maximum Tier 2 capital allowed (2% of Risk weighted assets) – ***(C)*** [(c)]		99,564	89,990
Total regulatory capital (D) = *[(A) + Lower of (B) or (C)]*		**923,599**	**801,188**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Capital management (continued)

	2019	2018
Risk-weighted assets	**TZS' Millions**	**TZS' Millions**
On-balance sheet[d]	4,031,716	3,580,258
Off-balance sheet	534,985	379,289
Market risk	38,402	4,570
Operational risk[e]	383,687	357,415
Total risk-weighted assets (E)	**4,988,790**	**4,321,532**

	Required ratio (%)	2019 Bank's ratio (%)	2018 Bank's ratio (%)
Tier 1 capital	12.5	17.1	16.5
Tier 1 + Tier 2 capital	14.5	18.5	18.5

The increase in the total regulatory capital in the 2019 is mainly due to the contribution of the current-year profit. The increase of the risk-weighted assets reflects the increase in loans and advances, off-balance sheet exposure and operational risk capital charge during the year.

(a) For the purpose of computing Core Capital on first adoption of IFRS 9; BoT guidance on IFRS 9 allowed Banks and financial institutions to spread the excess impairment equally over three years from 2019. The total excess impairment adjusted to retained earnings on adoption was TZS 17,694 million. The Bank spread the impact of IFRS 9 Adoption for two years for capital computation purpose. In 2019, the Bank added back TZS 8,847 million to retained earnings.

(b) During the year, the Bank of Tanzania issued a circular abolishing the requirement for banks and financial institutions to maintain 1% general provision for loans categorized as unclassified and the exclusion of investment in computer software in the core capital computation effective from July 2019.

(c) As per Bank of Tanzania requirement, Tier 2 Capital should not exceed 2% of the total risk weighted assets and off-balance sheet exposure.

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

(e) Capital charge for operational risk is calculated using Basic Indicator approach (BIA) prescribed under Basel II by capping net interest income to 3.5% of interest earning assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. INTEREST AND SIMILAR INCOME

(a) GROUP

	2019 TZS' Millions	2018 TZS' Millions
Loans and advances to customers	555,965	500,316
Government securities	94,067	98,181
Placements and balances with other banks	3,163	2,058
	653,195	**600,555**

(b) BANK

	2019 TZS' Millions	2018 TZS' Millions
Loans and advances to customers	556,744	501,399
Government securities	94,067	98,181
Placements and balances with other banks	3,163	2,058
	653,974	**601,638**

8. INTEREST EXPENSE

(a) GROUP

	2019 TZS' Millions	2018 TZS' Millions
Deposits from customers		
- Time deposits	52,777	31,510
- Current accounts	23,990	23,032
- Saving deposits	17,053	20,852
Deposits due to other banks	24	1,755
Borrowings from financial institutions	24,454	23,895
NMB bond	9,488	8,571
Lease liabilities	3,034	-
	130,820	**109,615**

(b) BANK

	2019 TZS' Millions	2018 TZS' Millions
Deposits from customers		
- Time deposits	52,777	31,510
- Current accounts	23,990	23,032
- Saving deposits	17,053	20,852
Deposits due to other banks	24	1,755
Borrowings from financial institutions	24,454	23,895
NMB bond	9,488	8,571
Lease liabilities	8,547	-
	136,333	**109,615**

9. FOREIGN EXCHANGE INCOME

(a) GROUP

	2019 TZS' Millions	2018 TZS' Millions
Foreign currency trading	24,454	20,861

(b) BANK

	2019 TZS' Millions	2018 TZS' Millions
Foreign currency trading	24,454	20,914

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. NET FEES AND COMMISSION INCOME

GROUP AND BANK

	2019	2018
	TZS' Millions	TZS' Millions
Fees and commission income		
Credit related fees and commissions	41,134	60,856
Other fees	104,299	71,685
ATM fees and card issuing	32,576	25,892
Maintenance fees	10,180	22,349
Teller withdrawal fees	16,743	9,900
Commission - mobile banking	7,344	7,916
Government service fees	3,540	4,405
	215,816	**203,003**
Fees and commission expense		
Financial charges	(46,663)	(36,721)
Net fees and commission income	**169,153**	**166,282**

11. OTHER INCOME

GROUP AND BANK

	2019	2018
	TZS' Millions	TZS' Millions
Bad debts recovery	8,603	6,784
Miscellaneous income	921	666
Profit on disposal of property and equipment	131	143
Rental income	16	22
Dividend on TMRC equity investments	31	32
	9,702	**7,647**

12. EMPLOYEE BENEFITS EXPENSE (GROUP AND BANK)

GROUP AND BANK

	2019	2018
	TZS' Millions	TZS' Millions
Salaries and allowances	105,590	99,313
Other emoluments	60,919	51,800
Pension costs - defined contribution plan	16,070	15,036
	182,579	**166,149**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. OTHER OPERATING EXPENSES

(a) GROUP

	2019	2018
	TZS' Millions	TZS' Millions
Administrative expenses	69,316	61,491
Operating lease rent	274	21,824
Utilities	14,810	19,705
Security expenses	10,658	11,416
Marketing and advertising expenses	6,493	7,402
Repairs and maintenance	40,617	43,417
Traveling expenses	7,471	9,137
Management contract expenses	2,707	3,843
Other expenses	1,292	3,828
Auditors' remuneration	676	671
Directors' remuneration:		
- Fees	120	119
- Others	135	190
	154,567	**183,043**

(b) BANK

	2019	2018
Administrative expenses	69,114	67,319
Operating lease rent	274	21,824
Utilities	14,810	19,705
Security expenses	10,658	11,416
Marketing and advertising expenses	6,493	7,402
Repairs and maintenance	40,617	43,417
Traveling expenses	7,471	9,137
Management contract expenses	2,707	3,843
Other expenses	1,292	3,828
Auditors' remuneration	676	671
Directors' remuneration:		
- Fees	120	119
- Others	133	190
	154,365	**188,871**

14. DEPRECIATION AND AMORTISATION

(a) GROUP

	2019	2018
	TZS' Millions	TZS' Millions
Depreciation of property and equipment (Note 24(a))	48,998	42,275
Amortization of right-of-use assets (Note 26(a))	10,935	-
Amortization of intangible assets (Note 25)	13,434	13,629
	73,367	**55,904**

(b) BANK

	2019	2018
Depreciation of property and equipment (Note 24(b))	47,028	40,304
Amortization of right of use assets (Note 26(b))	13,146	-
Amortization of intangible assets (Note 25)	13,434	13,629
	73,608	**53,933**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. CURRENT INCOME TAX

(a) INCOME TAX EXPENSE - GROUP

Income tax expense for the year is arrived at as follows:

	2019 TZS' Millions	2018 TZS' Millions
Current tax:		
In respect of current year (Note 15(c))	85,921	57,319
Over provision in prior period	(71)	-
	85,850	**57,319**
Deferred tax:		
In respect of current year (Note 27(a))	(15,093)	(9,715)
In respect of prior year (Note 27(a))	365	(4,203)
	(14,728)	**(13,918)**
	71,122	**43,401**

The tax on the Group's profit differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2019 TZS' Millions	2018 TZS' Millions
Profit before income tax	215,861	144,362
Tax calculated at the statutory income tax rate of 30% (2018: 30%)	64,758	43,309
Tax effect of:		
Depreciation on non-qualifying assets	511	927
Expenses not deductible for tax purposes	4,611	3,368
Dividend income	(9)	-
Utilisation of provision charged to retained earnings on IFRS 9 adoption	886	-
Net (under)/over provision of deferred and current tax in prior year	365	(4,203)
Income tax expense	**71,122**	**43,401**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. CURRENT INCOME TAX (CONTINUED)

(b) INCOME TAX EXPENSE - BANK

Income tax expense for the year is arrived at as follows:

	2019 TZS' Millions	2018 TZS' Millions
Current tax:		
In respect of current year (Note 15(d))	84,848	57,215
Deferred tax:		
In respect of current year (Note 27(b))	(15,076)	(10,443)
In respect of prior year (Note 27(b))	(851)	(2,794)
	(15,927)	**(13,237)**
	68,921	**43,978**

The tax on the Bank's profit differs from the theoretical amount that would arise using the statutory income tax as follows:

	2019 TZS' Millions	2018 TZS' Millions
Profit before income tax	211,088	141,641
Tax calculated at the statutory income tax rate of 30% (2018: 30%)	63,326	42,492
Tax effect of:		
Depreciation on non-qualifying assets	511	927
Expenses not deductible for tax purposes	5,058	3,353
Dividend income	(9)	-
Utilisation of provision charged to retained earnings on IFRS 9 adoption	886	-
Net over provision of deferred tax in prior year	(851)	(2,794)
Income tax expense	**68,921**	**43,978**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. CURRENT INCOME TAX (CONTINUED)

(c) CURRENT TAX (LIABILITIES)/ASSETS – GROUP

	2019 TZS' Millions	2018 TZS' Millions
At start of the year	13,066	1905
Current year tax expense (Note 15(a))	(85,850)	(57,319)
Tax paid	60,418	68,480
Tax (payable)/recoverable	**(12,366)**	**13,066**

(d) CURRENT TAX (LIABILITIES)/ASSETS – BANK

	2019 TZS' Millions	2018 TZS' Millions
At start of the year	13,188	1923
Current year tax expense (Note 15(b))	(84,848)	(57,215)
Tax paid	56,357	68,480
Tax (payable)/recoverable	**(15,303)**	**13,188**

16. EARNINGS PER SHARE

(a) GROUP

The calculation of the basic earnings per share was based on the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year, calculated as follows:

	2019 TZS' Millions	2018 TZS' Millions
Net profit attributable to shareholders	144,618	100,510
Weighted average number of shares in issue in millions (Note 35)	500	500
Basic and diluted earnings per share	**289.24**	**201.02**

(b) BANK

	2019 TZS' Millions	2018 TZS' Millions
Net profit attributable to shareholders	142,167	97,663
Weighted average number of shares in issue in millions (Note 35)	500	500
Basic and diluted earnings per share	**284.33**	**195.33**

There being no dilutive or dilutive potential share options, the basic and diluted earnings per share are the same.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. DIVIDEND PER SHARE

Dividends are not recognized as a liability until they have been ratified at the Annual General Meeting. The Directors propose payment of a dividend of TZS 96 per share, amounting to TZS 48,000 million out of 2019 profit. In 2018, dividend of TZS 66 per share, amounting to TZS 33,000 million was approved and paid.

18. CASH AND BALANCES WITH BANK OF TANZANIA

(GROUP AND BANK)

The calculation of the basic earnings per share was based on the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year, calculated as follows:

	2019 TZS' Millions	2018 TZS' Millions
Cash in hand		
- local currency	432,519	358,414
- foreign currency	65,712	44,295
Balances with Bank of Tanzania		
- local currency	378,588	152,829
- foreign currency	72,225	112,785
Statutory Minimum Reserves (SMR)*	392,096	402,099
	1,341,140	**1,070,422**
Current	**1,341,140**	**1,070,422**

*The SMR deposit is not available to finance the Bank's day-to-day operations and hence excluded from cash and cash equivalents for the purpose of the cash flow statement (See Note 36). Cash in hand and balances with Bank of Tanzania are non-interest bearing.

19. PLACEMENTS AND BALANCES WITH OTHER BANKS

(GROUP AND BANK)

	2019 TZS' Millions	2018 TZS' Millions
Balances with banks abroad	208,309	113,569
Placement with local banks		
- Local currency	56,017	60,822
	264,326	**174,391**
Current	**264,326**	**174,391**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. (a) LOANS AND ADVANCES TO CUSTOMERS

	2019 TZS' Millions	2018 TZS' Millions
Salaried workers loans (SWL)	2,177,717	1,823,158
MSE loans	356,111	365,777
Other consumer loans	142,629	130,355
Large corporate entities	670,109	693,019
SME loans	227,830	224,635
Agribusiness loans	188,720	136,056
Gross loans and advances to customers	**3,763,116**	**3,373,000**
Less: allowance for impairment	(173,110)	(131,599)
Net loans and advances to customers	**3,590,006**	**3,241,401**

Analysis of loans and advances to customers by maturity

Maturity analysis is based on the remaining periods to contractual maturity from year-end

	2019 TZS' Millions	2018 TZS' Millions
Maturing:		
Within 1 year	1,005,332	1,023,215
Between 1 year and 5 years	1,551,984	1,428,335
Over 5 years*	1,032,690	789,851
	3,590,006	**3,241,401**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. (b) LOANS AND ADVANCES TO CUSTOMERS (BANK)

	2019	2018
	TZS' Millions	TZS' Millions
Salaried workers loans	2,177,717	1,823,158
MSE loans	356,111	365,777
Other consumer loans	142,629	130,355
Large corporate entities	675,791	703,412
SME loans	227,830	224,635
Agribusiness loans	188,720	136,056
Gross loans and advances to customers	**3,768,798**	**3,383,393**
Less: allowance for impairment	(173,110)	(131,599)
Net loans and advances to customers	**3,595,688**	**3,251,794**

Analysis of loans and advances to customers by maturity

Maturity analysis is based on the remaining periods to contractual maturity from year-end

	2019	2018
	TZS' Millions	TZS' Millions
Maturing:		
Within 1 year	1,011,014	1,028,411
Between 1 year and 5 years	1,551,984	1,433,532
Over 5 years*	1,032,690	789,851
	3,595,688	**3,251,794**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. (b) LOANS AND ADVANCES TO CUSTOMERS (BANK) (CONTINUED)

Movement in the allowance account for losses on loans:	Corporate	MSE	SME	SWL	Other consumer loans	Agribusiness	Total
	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions
At 1 January 2019	66,554	18,574	11,685	20,360	4,838	9,588	131,599
Increase in allowance for loan impairment*	35,595	5,717	11,291	21,590	4,416	20,241	98,850
Write-offs	(17,303)	(14,280)	(6,551)	(14,806)	(3,322)	(1,077)	(57,339)
At 31 December 2019	**84,846**	**10,011**	**16,425**	**27,144**	**5,932**	**28,752**	**173,110**
At 1 January 2018	75,960	9,170	4,230	23,485	1,100	5,745	119,690
Increase in allowance for loan impairment	57,447	18,926	18,726	18,577	6,067	15,513	135,256
Write-offs	(66,853)	(9,522)	(11,271)	(21,702)	(2,329)	(11,670)	(123,347)
At 31 December 2018	**66,554**	**18,574**	**11,685**	**20,360**	**4,838**	**9,588**	**131,599**

*The decrease in impairment charge during the year was due to improvements in portfolio management and incorporation of collateral information into modeled impairment consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. (a) GOVERNMENT SECURITIES AT AMORTISED COST

(GROUP AND BANK)

	2019 TZS' Millions	2018 TZS' Millions
Treasury Bills:		
Maturing within 91 days	95,553	93,889
Maturing after 91 days	177,254	154,551
	272,807	**248,440**
Treasury Bonds:		
Maturing within 91 days	9,577	18,591
Maturing after 91 days	462,143	457,912
	471,720	**476,503**
	744,527	**724,943**
Current	348,368	428,861
Non-current	396,159	296,082
	744,527	**724,943**

Interest on recapitalization bond is received semi-annually at a variable rate, a maximum of 15.4% and a minimum of 7.8% computed as a weighted average of interest rate on Treasury Bills over the last six months. Treasury Bills and Bonds are debt securities issued by the Government of the United Republic of Tanzania and during the yeard the effective interest rate was 12.6% (2018: 13.3%).

Government securities with face value of TZS 9,277 million (2018: TZS 6,477 million) with maturity date of 12 October 2024 and 1 March 2025 are pledged as securities to borrowing advanced by TMRC.

The movement in investment securities may be summarized as follows:

	2019 TZS' Millions	2018 TZS' Millions
At 1 January	724,943	919,099
Additions	583,552	558,758
Matured securities	(563,968)	(752,914)
At 31 December	**744,527**	**724,943**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. (b) GOVERNMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (GROUP AND BANK)

The Group has invested in various treasury bonds that are designated at fair value through other comprehensive income. The movement in these securities is as follows:

	2019 TZS' Millions	2018 TZS' Millions
At 1 January	15,242	870
Interest income	1,617	1,597
Realised gain on fair valuation credited to P&L	1,100	1,033
Unrealised fair valuation gain credited to OCI (Note 35 (v))	240	260
Additions	76,340	50,090
Disposed	(77,512)	(38,608)
At 31 December	**17,027**	**15,242**
Non-current	17,027	15,242

22. EQUITY INVESTMENTS

(a) GROUP

Investment at FVOCI

	2019 TZS' Millions	% Share-holding	2018 TZS' Millions	% Share-holding
Tanzania Mortgage Refinance Company Limited (TMRC)	2,920	9.73	2,920	9.73

TMRC is a private company and there is no quoted market price available for the shares. On adoption of IFRS 9 the investment was re-measured at fair-value through other comprehensive income. Fair value was determined by observing a recent transaction in the market. As at 31 December 2019, the Bank had 1,800,000 shares in TMRC.

The Bank has equity investments in TMRC and a subsidiary named Upanga Joint Venture Company Limited.

(b) BANK

The Bank has equity investments in TMRC and a subsidiary named Upanga Joint Venture Company Limited.

(i) Investment in a subsidiary

Company name	2019 TZS' Millions	% Share-holding	2018 TZS' Millions	% Share-holding
Upanga Joint Venture Company Limited	39,639	88	39,639	88

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. EQUITY INVESTMENTS (CONTINUED)

(b) BANK

(i) Investment in a subsidiary (continued)

There are no contingent liabilities relating to the Bank's interest in the subsidiary.

There are no restrictions to the Bank in gaining access or use of assets of the subsidiary and settling liabilities of the Group.

The subsidiary listed above has share capital consisting solely of ordinary shares. The country of incorporation; the United Republic of Tanzania is also their principal place of business.

There were no significant judgements and assumptions made in determining the Bank's interest in the subsidiary.

Set out below is the summarised financial information of Upanga Joint Venture Company Limited ("UJVC Limited"), a subsidiary of the Bank.

Summarised statement of financial position	2019	2018
	TZS' Millions	TZS' Millions
Current		
Total current assets	11,523	18,075
Current liabilities	(12,836)	(8,774)
Total net current assets /(liabilities)	**(1,313)**	**9,301**
Non-current		
Assets	36,125	38,998
Liabilities	-	(14,067)
Total non-current net assets	**36,125**	**24,931**
Total net assets	**34,812**	**34,232**

Summarised statement of comprehensive income	2019	2018
	TZS' Millions	TZS' Millions
Revenue	6,033	6,033
Cost of sales	(142)	(115)
Finance costs	(778)	(1,083)
Administrative expenses	(2,031)	(2,008)
Loss on foreign exchange	-	(53)
Tax (charge)/credit	(1,056)	577
Profit after tax	**2,026**	**3,351**
Allocated to non- controlling interest	**120**	**451**

Non-controlling interests have no protective rights that can significantly restrict the Bank's ability to access or use the assets and settle the liabilities of the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. EQUITY INVESTMENTS (CONTINUED)

(b) BANK

(i) Investment in a subsidiary (continued)

Summarised statement of comprehensive income	2019 TZS' Millions	2018 TZS' Millions
Net cash generated in operations	(959)	18,354
Net cash used in investing activities	-	-
Net cash used in financing activities	(5,889)	(6,059)
Net increase/(decrease) in cash and cash equivalents	**(6,848)**	**12,295**
Cash and cash equivalents at start of the year	**12,387**	**91**
Cash and cash equivalents at end of the year	**5,539**	**12,386**

(ii) Investment at fair value through other comprehensive income

Company name	2019 TZS' Millions	% Share-holding	2018 TZS' Millions	% Share-holding
Tanzania Mortgage Refinance Company Ltd	2,920	9.73	2,920	9.73

23. OTHER ASSETS

(a) GROUP

	2019 TZS' Millions	2018 TZS' Millions
Prepayments	39,975	43,728
Service fees receivable	7,077	2,378
Staff imprest	64	33
Cheques and items for clearing	4,152	1,613
Other receivables	22,762	22,553
Balances with mobile network operators	17,490	16,018
Less: impairment allowance for other receivables	(196)	(1,568)
	91,324	**84,755**
Current	90,560	75,884
Non-current	764	8,871
	91,324	**84,755**
The movement in provision for impairment of other assets is as follows:		
At start of the year	(1,568)	(582)
Release/ (Charge) for the year	1,372	(986)
At end of year	**(196)**	**(1,568)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. OTHER ASSETS (CONTINUED)

(b) BANK

	2019 TZS' Millions	2018 TZS' Millions
Prepayments	39,896	43,627
Service fees receivable	7,077	2,378
Staff advance	64	33
Cheques and items for clearance	4,152	1,613
Balances with mobile network operators	17,490	16,268
Other receivables	19,174	16,018
Less: Allowance for impairment of other receivables	(196)	(1,568)
	87,657	**78,369**
Current	86,893	69,498
Non-current	764	8,871
At end of the year	**87,657**	**78,369**
The movement in allowance for impairment of other receivables is as follows:		
At start of the year	(1,568)	(582)
Release/ (Charge) for the year	1,372	(986)
At end of the year	**(196)**	**(1,568)**

Other assets have not been pledged as security for liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. PROPERTY AND EQUIPMENT

(a) GROUP

	Own building	Leasehold improvement	Motor vehicles	Computers, furniture and equipment	Capital work in progress	Total
Year ended 31 December 2019	**TZS' Millions**	**TZS' Millions**	**TZS' Millions**	**TZS' Millions**	**TZS' Millions**	**TZS' Millions**
COST						
At 1 January 2019	151,554	59,355	18,411	197,211	16,438	442,969
Additions	1,095	747	-	5,197	5,610	12,649
Transfers from work in progress	5,387	7,400	10	9,637	(22,434)	-
Transfer from prepayments	-	-	315	8,920	744	9,979
Disposal	-	-	(75)	(3,826)	-	(3,901)
At 31 December 2019	**158,036**	**67,502**	**18,661**	**217,139**	**358**	**461,696**
DEPRECIATION						
At 1 January 2019	30,382	23,304	12,875	110,708	-	177,269
Charge for the year	7,023	7,326	2,724	31,925	-	48,998
Disposal	-	-	(68)	(3,672)	-	(3,740)
At 31 December 2019	**37,405**	**30,630**	**15,531**	**138,961**	**-**	**222,527**
NET BOOK VALUE						
At 31 December 2019	**120,631**	**36,872**	**3,130**	**78,178**	**358**	**239,169**

The capital work in progress relates to the ongoing projects of branch remodeling. No property and equipment of the Group and Bank has been pledged as security for liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. PROPERTY AND EQUIPMENT (CONTINUED)

(a) GROUP (CONTINUED)

	Own building	Leasehold improvement	Motor vehicles	Computers, furniture and equipment	Capital work in progress	Total
Year ended 31 December 2018	**TZS' Millions**	**TZS' Millions**	**TZS' Millions**	**TZS' Millions**	**TZS' Millions**	**TZS' Millions**
COST						
At 1 January 2018	102,571	32,679	16,933	132,615	130,591	415,389
Additions	43	10	129	12,082	13,266	25,530
Transfers from work in progress	48,940	26,666	48	52,530	(128,184)	-
Transfer from prepayments	-	-	1,846	5,222	1,483	8,551
Transfer to intangible assets*	-	-	-	(2,321)	(718)	(3,039)
Disposal	-	-	(545)	(2,917)	-	(3,462)
At 31 December 2018	**151,554**	**59,355**	**18,411**	**197,211**	**16,438**	**442,969**
DEPRECIATION						
At 1 January 2018	23,950	19,627	10,248	84,408	-	138,233
Charge for the year	6,432	3,677	3,061	29,105	-	42,275
Disposal	-	-	(434)	(2,805)	-	(3,239)
At 31 December 2018	**30,382**	**23,304**	**12,875**	**110,708**	**-**	**177,269**
NET BOOK VALUE						
At 31 December 2018	**121,172**	**36,051**	**5,536**	**86,503**	**16,438**	**265,700**

The capital work in progress relates to the on-going projects of branch remodelling and equipment for new data centre and network equipment at Head office. No property and equipment of the Group and Bank has been pledged as security for liabilities.

*The transfer to intangible assets represents the cost of software portion of the asset which was initially capitalized with its hardware.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. PROPERTY AND EQUIPMENT (CONTINUED)

(a) GROUP (CONTINUED)

	Own building	Leasehold improvement	Motor vehicles	Computers, furniture and equipment	Capital work in progress	Total
Year ended 31 December 2019	**TZS' Millions**	**TZS' Millions**	**TZS' Millions**	**TZS' Millions**	**TZS' Millions**	**TZS' Millions**
COST						
At 1 January 2019	108,534	59,355	18,411	197,211	16,436	399,947
Additions	1,095	747	-	5,197	5,610	12,649
Transfers from work in progress	5,387	7,400	10	9,637	(22,434)	-
Transfer from prepayments	-	-	315	8,920	744	9,979
Disposal	-	-	(75)	(3,826)	-	(3,901)
At 31 December 2019	**115,016**	**67,502**	**18,661**	**217,139**	**356**	**418,674**
DEPRECIATION						
At 1 January 2019	25,455	23,304	12,874	110,709	-	172,342
Charge for the year	5,053	7,326	2,724	31,925	-	47,028
Disposal	-	-	(68)	(3,672)	-	(3,740)
At 31 December 2019	**30,508**	**30,630**	**15,530**	**138,962**	**-**	**215,630**
NET BOOK VALUE						
At 31 December 2019	**84,508**	**36,872**	**3,131**	**78,177**	**356**	**203,044**

The capital work in progress relates to the ongoing projects of branch re-modelling. No property and equipment of the Group and Bank has been pledged as security for liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. PROPERTY AND EQUIPMENT (CONTINUED)

(a) GROUP (CONTINUED)

	Own building	Leasehold improvement	Motor vehicles	Computers, furniture and equipment	Capital work in progress	Total
Year ended 31 December 2018	**TZS' Millions**	**TZS' Millions**	**TZS' Millions**	**TZS' Millions**	**TZS' Millions**	**TZS' Millions**
COST						
At 1 January 2018	59,551	32,679	16,933	132,615	130,591	372,369
Additions	43	10	129	12,082	13,266	25,530
Transfers from work in progress	48,940	26,666	48	52,530	(128,184)	-
Transfer from prepayments	-	-	1,846	5,222	1,483	8,551
Transfer to intangible assets*	-	-	-	(2,321)	(718)	(3,039)
Disposal	-	-	(545)	(2,917)	-	(3,462)
At 31 December 2018	**108,534**	**59,355**	**18,411**	**197,211**	**16,438**	**399,949**
DEPRECIATION						
At 1 January 2018	20,994	19,627	10,247	84,409	-	135,277
Charge for the year	4,461	3,677	3,061	29,105	-	40,304
Disposal	-	-	(434)	(2,805)	-	(3,239)
At 31 December 2018	**25,455**	**23,304**	**12,874**	**110,709**	**-**	**172,342**
NET BOOK VALUE						
At 31 December 2018	**83,079**	**36,051**	**5,537**	**86,502**	**16,438**	**227,607**

The capital work in progress relates to the on-going projects of branch remodelling and equipment for new data centre and network equipment at Head office. No property and equipment of the Group and Bank has been pledged as security for liabilities.

*The transfer to intangible assets represents the cost of software portion of the asset which was initially capitalized with its hardware.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. INTANGIBLE ASSETS (GROUP AND BANK)

INTANGIBLE ASSETS (GROUP AND BANK)	Computer Software	Work in progress	Total
	TZS' Millions	TZS' Millions	TZS' Millions
2019			
Cost:			
At 1 January	58,958	1,978	60,936
Additions	3,173	7,794	10,967
Transfer from work in progress	8,066	(8,066)	-
Transfer from prepayments	2,005	-	2,005
At 31 December	**72,202**	**1,706**	**73,908**
Amortisation			
At 1 January	39,695	-	39,695
Charge for the year	13,434	-	13,434
At 31 December	**53,129**	-	**53,129**
Net book value	**19,073**	**1,706**	**20,779**
2018			
Cost:			
At 1 January	37,018	8,949	45,967
Additions	8,518	3,412	11,930
Transfer from work in progress	10,383	(10,383)	-
Reclassified from property and equipment	3,039	-	3,039
At 31 December	**58,958**	**1,978**	**60,936**
Amortisation			
At 1 January	26,066	-	26,066
Charge for the year	13,629	-	13,629
At 31 December	**39,695**	-	**39,695**
Net book value	**19,263**	**1,978**	**21,241**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. LEASES

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

	2019	2018
	TZS' Millions	TZS' Millions
(a) RIGHT-OF-USE ASSETS (GROUP)		
At start of the year – On IFRS 16 adoption	37,707	-
Additions	2,649	-
Amortisation charge	(10,935)	-
		-
At the end of the year	**29,421**	-
(b) RIGHT-OF-USE ASSETS (BANK)		
At start of the year – On IFRS 16 adoption	172,681	-
Additions	2,649	
Amortisation charge	(13,146)	-
		-
At the end of the year	**162,184**	-
(c) LEASE LIABILITIES (GROUP)		
At start of the year – On IFRS 16 adoption	34,545	-
Additions	2,649	
Finance cost	3,034	-
Payment during the year	(12,243)	-
At the end of year	**27,985**	-
Current	8,177	-
Non-current	19,808	-
	27,985	
(d) LEASE LIABILITIES (BANK)		
At start of the year – On IFRS 16 adoption	157,077	-
Additions	2,649	
Finance cost	8,547	-
Payment during the year	(12,243)	-
At the end of year	**156,030**	-
		-
Current	8,177	-
Non-current	147,853	-
	156,030	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. LEASES (CONTINUED)

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

	2019 TZS' Millions	2018 TZS' Millions
(e) GROUP		
Amortisation of right-of-use assets - Note 14 (a)	10,935	-
Finance cost – included as interest expense - Note 8(a)	3,034	-
Expense relating to short-term leases - Note 13 (a)	274	-
		-
At the end of the year	**14,243**	-
(f) BANK		
Amortisation of right-of-use assets - Note 14 (b)	13,146	-
Finance cost – included as interest expense - Note 8(b)	8,547	-
Expense relating to short-term leases - Note 13 (b)	274	-
		-
At the end of the year	**21,967**	-

All leases relate to building properties used as office, branch or ATM outlets. Total cash flow for leases in 2019 amounted to TZS 12,243 million. There was no acquisition of right-of-use assets during the year.

27. (a) DEFERRED TAX ASSETS (GROUP)

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30%. The movement on the deferred income tax account is as follows:

	2019 TZS' Millions	2018 TZS' Millions
At start of year	62,132	43,338
(Debit)/credit to profit or loss:		
In respect to current year (Note 15(a))	15,093	9,715
In respect of prior year: Under/(Over) provision (Note 15(a))	(365)	4,203
Impact of IFRS 9 adoption – to retained earnings	-	5,308
Debit to OCI		
Current year – charged to OCI	(72)	(432)
At the end of year	**76,788**	**62,132**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. (a) DEFERRED TAX ASSETS (GROUP) (CONTINUED)

Deferred income tax asset and deferred income tax credit to the profit or loss are attributed to the following items:

	1 January	Credited to profit or loss	Charged to OCI	Credited to Retained earnings	31 December
	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions
Year ended 31 December 2019					
Deferred income tax asset					
Property and equipment	7,673	1,842	-	-	9,515
Provisions	55,571	13,080	-	-	68,651
Other temporary differences	(652)	(194)	-	-	(846)
Fair valuation gain – debt instruments	(106)	-	(72)	-	(178)
Fair valuation gain– equity instruments	(354)	-	-	-	(354)
	62,132	**14,728**	**(72)**	**-**	**76,788**
Year ended 31 December 2018					
Deferred income tax asset					
Property and equipment	6,056	1,617	-	-	7,673
Provisions	37,310	12,953	-	5,308	55,571
Other temporary differences	-	(652)	-	-	(652)
Fair valuation gain – debt instruments	(28)	-	(78)	-	(106)
Fair valuation gain– equity instruments		-	(354)	-	(354)
	43,338	**13,918**	**(432)**	**5,308**	**62,132**

	2019	2018
	TZS' Millions	TZS' Millions
Expected to be recovered within 12 months	6,767	6,660
Expected to be recovered after 12 months	70,021	55,472
	76,788	**62,132**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. (b) DEFERRED TAX ASSETS (BANK)

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30%. The movement on the deferred income tax account is as follows:

	2019 TZS' Millions	2018 TZS' Millions
At start of year	61,229	43,116
Credit/(Debit) to profit or loss:		
In respect to current year (Note 15(b))	15,076	10,443
In respect of prior year: Over provision (Note 15(b))	851	2,794
Impact of IFRS 9 adoption – to retained earnings	-	5,308
Debit to OCI:		
In respect of current year	(72)	(432)
At the end of year	**77,084**	**61,229**

Deferred income tax asset and deferred income tax credit to the profit or loss are attributed to the following items:

Year ended 31 December 2019	1 January TZS' Millions	Credited to retained earnings on IFRS 9 Adoption TZS' Millions	Credited to profit or loss TZS' Millions	Charged to OCI TZS' Millions	31 December TZS' Millions
Deferred income tax asset					
Property and equipment	6,356	-	1,841	-	8,197
Provisions	55,333	-	13,069	-	68,402
Other temporary differences	-	-	1,017	-	1,017
Fair valuation gain – debt instruments	(106)	-	-	(72)	(178)
Fair valuation gain – equity instruments	(354)	-	-	-	(354)
	61,229	**-**	**15,927**	**(72)**	**77,084**
Year ended 31 December 2018					
Deferred income tax asset					
Property and equipment	6,056	-	300	-	6,356
Provisions	37,088	5,308	12,937	-	55,333
Fair valuation gain – debt instruments	(28)	-	-	(78)	(106)
Fair valuation gain – equity instruments	-	-	-	(354)	(354)
	43,116	**5,308**	**13,237**	**(432)**	**61,229**

	2019 TZS' Millions	2018 TZS' Millions
Expected to be recovered within 12 months	6,783	6,614
Expected to be recovered after 12 months	70,301	54,615
	77,084	**61,229**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. DEPOSITS FROM CUSTOMERS

(a) GROUP

	2019 TZS' Millions	2018 TZS' Millions
Current accounts	1,886,794	1,696,480
Personal accounts	2,249,390	2,002,879
Time deposit accounts	780,367	615,861
	4,916,551	**4,315,220**
Current	4,302,295	4,150,494
Non-current	614,256	164,726
(b) BANK		
Current accounts	1,892,521	1,708,866
Personal accounts	2,249,390	2,002,879
Time deposit accounts	780,367	615,862
	4,922,278	**4,327,607**
Current	4,308,022	4,162,881
Non-current	614,256	164,726
	4,922,278	**4,327,607**

29. DEPOSITS DUE TO OTHER BANKS (GROUP AND BANK)

	2019 TZS' Millions	2018 TZS' Millions
Deposits from other banks	33,446	4,475
Short-term money market borrowings	-	16,295
	33,446	**20,770**

30. OTHER LIABILITIES

(a) GROUP

	2019 TZS' Millions	2018 TZS' Millions
Sundry liabilities	66,254	64,989
Accrued expenses	33,355	35,019
Bills payable	2,133	2,139
Impairment provision for off-balance sheet items (Note 6.1.5(e))	6,562	5,002
	108,304	**107,149**
Current	**108,304**	**107,149**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. OTHER LIABILITIES (CONTINUED)

(b) BANK

	2019 TZS' Millions	2018 TZS' Millions
Sundry liabilities	64,846	51,514
Accrued expenses	33,355	35,019
Bills payable	2,133	2,139
Impairment provision for off-balance sheet items (Note 6.1.5(e))	6,562	5,002
	106,896	**93,674**
Current	**106,896**	**93,674**

31. PROVISIONS (GROUP AND BANK)

	2019 TZS' Millions	2018 TZS' Millions
Provision for losses from legal cases	**2,230**	**3,519**
Movement in provision		
At the start of year	3,519	2,784
Charged during the year	(1,289)	735
At end of year	**2,230**	**3,519**

The amounts represent provision for certain legal claims brought against the Bank by third parties in the course of business. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as at 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. BORROWINGS (GROUP AND BANK)

	2019 TZS' Millions	2018 TZS' Millions
Borrowings:		
- EIB Loan (i)	18,130	32,700
- FMO Loan (ii)	66,729	124,200
- Triodos (iii)	28,332	28,332
- NMB Bond (iv)	106,745	64,802
- TMRC (v)	11,700	6,700
- IFC (vi)	40,267	40,250
Accrued interest	4,542	4,404
	276,445	**301,388**
Current	119,902	158,132
Non-current	156,543	143,256
	276,445	**301,388**

As at 31 December 2019, the Group had no borrowing at default.

(i) European Investment Bank (EIB) loan

As at 31 December 2019, the Bank had a borrowing balance from EIB of TZS 14,293 million (2018: TZS 25,093 million) being accumulation of TZS loans payable semi-annually within four to seven years at effective interest rate of 8.51% (2018: 8.37%). In addition, as at 31 December 2019, the Bank had a borrowing balance from EIB of USD 1.7 million (2018: USD 3.3 million) equivalent to TZS 3,837 million (2018: TZS 7,607 million) being accumulation of various USD loans payable over a period of four to seven years at a fixed interest rate. The effective interest rate of the loan during the year was 3.25% (2018: 3.25%). The loans were taken for the purpose of better Assets Liability management. The loans are unsecured.

As at 31 December 2019, the Bank was compliant with all the lender's covenants.

(ii) Financierings-Maatschappij voor Ontwikkelingslanden N.V (FMO) loan

The Bank borrowed from FMO in 2013 loan of USD 65 million repayable semi-annually and carries a floating rate based on six months LIBOR rate. The effective interest rate is 5.3%. The loan was taken for the purpose of better Assets Liability management. The loan is unsecured. As at 31 December 2019 the balance was fully repaid (2018: USD 13 million equivalent to TZS 29,900 million).

In 2015, the Bank obtained additional unsecured loan of USD 35 million repayable semi-annually within five to six years and carries a floating rate based on six months LIBOR rate. The effective interest rate was 5.5%, during the year. The outstanding balance as at 31 December 2019 was USD 14 million equivalent to TZS 32,214 million (2018: USD 21 million equivalent to TZS 48,300 million).

Moreover in 2018, the bank drew down tranche 2 of the 2015 contract amounting to USD 25 Million repayable semi-annually within five to six years and carries a floating rate based on six months LIBOR rate. The effective interest rate was 5.5%, during the year. The outstanding balance as at 31 December 2019 was USD 15 million equivalent to TZS 34,515 million (2018: USD 20 million equivalent to TZS 46,000 million).

As at 31 December 2019, the Bank was compliant with all the lender's covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. BORROWINGS (GROUP AND BANK) (CONTINUED)

(iii) Triodos B.V.

In 2018, the Bank borrowed from Triodos an amount of TZS 28.3 billion repayable semi-annually from the year 2020 and carrying a fixed rate. The effective interest rate is 14.4%. The loan was taken for the purpose of better Assets Liability management. The loan is unsecured. As at 31 December 2019 the balance was TZS 28,332 million.

As at 31 December 2019, the Bank was compliant with all the lender's covenants.

(iv) NMB Bond

Retail Bond

On 10 June 2019, the Bank issued the third tranche of this program. The Bank issued a TZS 25 billion 3-year bond targeted towards the retail investor segment; offering a gross coupon rate of 10% and issued at par. The coupon on the bond is paid quarterly. The offer period closed on 08 July 2019 with market demand exceeding expectations. The bond was oversubscribed by 233% with the Bank receiving applications from investors amounting to TZS 83.3 billion.

Corporate Bond

On 28 December 2018 and 29 December 2018, the Bank issued the second tranche of the Medium-Term Note (MTN) program amounting TZS 17,096 million and TZS 5 billion respectively via a private placement. The issue was targeted towards corporate investors at a gross coupon rate of 13.5% for a period of 3 years.

The bonds are unsecured and are tradable on the Dar es Salaam Stock Exchange (DSE).

The proceeds of the bond issue will be used for on-lending to the Bank's customers who include individuals, micro, small and medium sized enterprises as well as large corporate and Government institutions.

As at 31 December 2019, TZS 53,155 million on the MTN program was not issued by the Bank. Subsequent tranches will be issued as and when the Bank requires and when market conditions are conducive.

The issuance of the bonds is part of the Bank's strategy to diversify its funding sources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. BORROWINGS (GROUP AND BANK) (CONTINUED)

(v) Tanzania Mortgage Refinance Company Limited

At the end of 2017, the Bank had borrowed from Tanzania Mortgage Refinance Company Limited (TMRC) a renewable loan of TZS 1.7 billion maturing in 48 months and carries a fixed rate of 11.5% p.a. The loan is secured by specific debenture over the portfolio of mortgage loans covering at least 125% of the loan amount.

During the year, the Bank secured an additional TZS 5 billion loan with a 3-year tenor at a fixed interest rate of 11.5%. The loan is secured by a portfolio of treasury bonds with a coverage ratio of at least 105.3% and minimum remaining tenor of 3 years from the date of disbursement.

The loans were taken to re-financing a portfolio of mortgage loans. The effective interest rate of the loans is 11.5%.

As at 31 December 2019 the balance was TZS 11.7 billion (2018: TZS 6.7 billion).

(vi) International Finance Corporation (IFC)

In 2018, the bank obtained a short-term loan from IFC amounting to USD 17.5 million repayable in 2020 in one bullet and carries a floating rate based on three months LIBOR rate. The effective interest rate during the year was 4.1%. The loan was taken to better Assets Liability management. The loan is unsecured. In 2019, the loan was renewed. As at 31 December 2019 the balance was USD 17.5 million equivalent to TZS 40,268 million (2018: USD 17.5 million equivalent to TZS 40,250 million).

As at 31 December 2019, the Bank was compliant with all the lenders covenants.

33. SUBORDINATED DEBT (GROUP AND BANK)

In 2018, the Bank borrowed an amount of TZS 68,190 million from International Finance Corporation (IFC). The loan is repayable semi-annually after lapse of 5 years grace period and carries a fixed rate. The loan was taken to improve the Tier II capital of the Bank. The loan is unsecured. As at 31 December 2019 the balance was TZS 68,190 million.

As at 31 December 2019, the Bank was compliant with all the lender's covenants.

	2019 TZS' Millions	2018 TZS' Millions
Principal	68,190	68,190
Accrued interest	2,808	2,782
	70,998	**70,972**
Charged during the year	(1,289)	735
At end of year	**2,230**	**3,519**
Non-current	**70,998**	**70,972**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. (a) NET DEBT RECONCILIATION (GROUP)

	2019 TZS' Millions	2018 TZS' Millions
The analysis and movement of the Group net debt is as follows;		
Cash and cash equivalents (Note 36)	1,213,370	842,714
Borrowings repayable within one year	(122,710)	(177,961)
Borrowings repayable after one year	(224,733)	(194,399)
Lease liabilities due after 1 year	(8,150)	-
Lease liabilities due within 1 year	(19,856)	-
Net debt	**837,921**	**470,354**
Cash and cash equivalents (Note 36)	1,213,370	842,714
Gross debt – fixed interest rate	(267,188)	(174,372)
Gross debt – variable interest rate	(108,261)	(197,988)
Net debt	**837,921**	**470,354**

	Assets	Liabilities from financing activities		Total
	Cash and cash equivalents	Borrowings	Lease liabilities	
	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions
At 1 January 2019	842,714	(372,360)	-	470,354
Acquisition of lease – IFRS 16 adoption adjustment	-	-	(37,251)	(37,251)
Cash flows – principal	370,716	25,077	12,398	408,191
Net movement in accrued interest	-	(160)	(3,153)	(3,313)
Foreign exchange adjustment	(60)	-	-	(60)
Net debt	**1,213,370**	**(347,443)**	**(28,006)**	**837,921**
At 1 January 2018	1,002,394	(336,930)	-	665,464
Cash flows – principal	(166,541)	(30,835)	-	(197,376)
Net movement in accrued interest	-	(4,595)	-	(4,595)
Foreign exchange adjustment	6,861	-	-	6,861
Net debt	**842,714**	**(372,360)**	**-**	**470,354**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. (b) NET DEBT RECONCILIATION (BANK)

	2019	2018
	TZS' Millions	TZS' Millions
The analysis and movement of the Bank's net debt is as follows;		
Cash and cash equivalents (Note 36)	1,213,370	842,714
Borrowings repayable within one year	(122,710)	(177,961)
Borrowings repayable after one year	(224,733)	(194,399)
Lease liabilities due after 1 year	(8,150)	-
Lease liabilities due within 1 year	(147,880)	-
Net debt	**709,897**	**470,354**
Cash and cash equivalents (Note 36)	1,213,370	842,714
Gross debt – fixed interest rate	(395,212)	(174,372)
Gross debt – variable interest rate	(108,261)	(197,988)
Net debt	**709,897**	**470,354**

	Assets	Liabilities from financing activities		Total
	Cash and cash equivalents	Borrowings	Lease liabilities	
	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions
At 1 January 2019	842,714	(372,360)	-	470,354
Acquisition of lease – IFRS 16 adoption adjustment	-	-	(159,762)	(159,762)
Cash flows – principal	370,716	25,077	12,398	408,191
Net movement in accrued interest	-	(160)	(8,666)	(8,826)
Foreign exchange adjustment	(60)	-	-	(60)
Net debt	**1,213,370**	**(347,443)**	**(156,030)**	**709,897**
At 1 January 2018	1,002,394	(336,930)	-	665,464
Cash flows - principal	(166,541)	(30,835)	-	(197,376)
Net movement in accrued interest	-	(4,595)	-	(4,595)
Foreign exchange adjustment	6,861	-	-	6,861
Net debt	**842,714**	**(372,360)**	**-**	**470,354**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. CAPITAL AND RESERVES

(i) Share capital

	2019 TZS' Millions	2018 TZS' Millions
Authorised		
625,000,000 ordinary shares of TZS 40 each	25,000	25,000
Called up and fully paid		
500,000,000 ordinary shares of TZS 40 each	20,000	20,000

(ii) Retained earnings

Retained earnings consist of undistributed profits from previous years.

(iii) General banking risk reserve

General banking risk reserve represents an amount set aside to cover additional provision for loan losses required to comply with the requirements of the Bank of Tanzania. This reserve is not available for distribution.

(iv) General reserve

General risk reserve represents 1% provision charged on all current credit accommodation and other risk assets as required by the Bank of Tanzania regulations, 2014. General Reserve is created by transferring the amount from retained earnings. This reserve is not available for distribution. The requirement to maintain this reserve was abolished from 1 July 2019 through a BOT circular.

(v) Fair valuation reserve

The reserve is made up of fair valuation of financial assets.

This reserve is not available for distribution to shareholders.

	2019 TZS' Millions	2018 TZS' Millions
Movement in fair valuation reserve is as follows:		
At 1 January		
- As previously stated	881	(127)
- Fair valuation adjustments due to IFRS 9 adoption	-	1,180
- Deferred tax adjustment due to IFRS 9 adoption	-	(354)
- **As stated after IFRS 9 adoption**	**881**	**699**
Fair valuation gain	240	260
Deferred tax on fair valuation gain	(72)	(78)
	168	**182**
At 31 December	**1,049**	**881**

There was no reclassification adjustment made in respect to components of other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. CASH AND CASH EQUIVALENTS (GROUP AND BANK)

	2019 TZS' Millions	2018 TZS' Millions
Cash and balances with Bank of Tanzania (Note 18)	1,341,140	1,070,422
Less: Statutory Minimum Reserves (Note 18)	(392,096)	(402,099)
Placement and balances with other banks (Note 19)	264,326	174,391
	1,213,370	**842,714**
Cash and balances with Bank of Tanzania (Note 18)	1,341,140	1,070,422
Less: Statutory Minimum Reserves (Note 18)	(392,096)	(402,099)
Placement and balances with other banks (Note 19)	264,326	174,391
	1,213,370	**842,714**

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 91 days maturity from the date of acquisition including: cash and balances with Bank of Tanzania and Placement with other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Bank of Tanzania.

37. NOTES TO THE STATEMENT OF CASH FLOWS

(a) GROUP

	Note	2019 TZS' Millions	2018 TZS' Millions
Operating activities			
Profit before tax		215,861	144,362
Adjustment for:			
Depreciation and amortization	14	73,367	55,904
Profit on disposal of property and equipment	11	(131)	(143)
Realised gain on government security available for sale		(1,100)	(1,033)
Interest income from government security available for sale	21(b)	(1,617)	(1,597
Interest expense on lease	8	3,034	-
Interest expense on borrowings	8	33,942	32,466
Effect of movement in foreign exchange		60	(6,861)
		323,416	**223,098**
Movement in operating assets:			
- Statutory Minimum Reserve		10,003	(5,440)
- Loans and advances to customers		(348,605)	(484,410)
- Other assets		(21,716)	(28,572)
- Deposits from customers		601,331	43,162
- Deposits due to other banks		12,676	21,515
- Other liabilities		1,156	16,202
- Provisions	31	(1,289)	735
Cash generated from/(utilized in) operations		**576,972**	**(213,710)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

	Note	2019 TZS' Millions	2018 TZS' Millions
(a) BANK			
Operating activities			
Profit before tax		211,088	141,641
Adjustment for:			
Depreciation and amortization	14	73,609	53,933
Profit on disposal of property and equipment	11	(131)	(143)
Realised gain on government security available for sale	21(b)	(1,100)	(1,033)
Interest income on government security available for sale	21(b)	(1,617)	(1,597)
Interest expense on lease	8	8,547	-
Interest expense on borrowings	8	33,942	32,466
Effect of movement in foreign exchange		60	(6,861)
		324,398	**218,406**
Movement in operating assets:			
- Statutory Minimum Reserve		10,003	(5,440)
- Loans and advances to customers		(343,894)	(479,487)
- Other assets		(36,876)	(30,040)
- Deposits from customers		594,671	55,458
- Deposits due to other banks		12,676	21,515
- Other liabilities		13,222	5,143
- Provisions	31	(1,289)	735
Cash generated from /(utilized in) operations		**572,911**	**(213,710)**

38. (a) FINANCIAL INSTRUMENTS BY CATEGORY (GROUP)

	Amortised Cost TZS' Millions	Fair Value through OCI TZS' Millions	Total TZS' Millions
As at 31 December 2019			
Financial assets			
Cash and balances with Bank of Tanzania	1,341,140	-	1,341,140
Investment securities – at amortised cost	744,527	-	744,527
Investment securities – FVOCI	-	17,027	17,027
Placement and balances with other banks	264,326	-	264,326
Loans and advances to customers	3,590,006	-	3,590,006
Equity investments	-	2,920	2,920
Other assets (excluding prepayment) *	51,350	-	51,350
	5,991,349	**19,947**	**6,011,296**
As at 31 December 2018			
Financial assets			
Cash and balances with Bank of Tanzania	1,070,422	-	1,070,422
Investment securities – at amortised cost	724,943	-	724,943
Investment securities – FVOCI	-	15,242	15,242
Placement and balances with other banks	174,391	-	174,391
Loans and advances to customers	3,241,401	-	3,241,401
Equity investments	-	2,920	2,920
Other assets (excluding prepayment) *	41,028	-	41,028
	5,252,185	**18,162**	**5,270,347**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. (a) FINANCIAL INSTRUMENTS BY CATEGORY (GROUP) (CONTINUED)

	2019	2018
Financial liabilities at amortised cost	**TZS' Millions**	**TZS' Millions**
Deposits from customers	4,916,551	4,315,220
Deposits from banks	33,446	20,770
Borrowings	276,446	301,388
Subordinated debt	70,998	70,972
Lease liabilities	28,006	-
Other liabilities (excluding non-financial other liabilities) **	96,369	96,377
	5,421,816	**4,804,727**

*Prepayments are excluded from other assets balance, as this analysis is for financial instruments only.

**Non-financial liabilities are excluded from other liabilities balance, as this analysis is for financial instruments only.

38. (b) FINANCIAL INSTRUMENTS BY CATEGORY (BANK)

	Amortised Cost	Fair Value through OCI	Total
	TZS' Millions	TZS' Millions	TZS' Millions
As at 31 December 2019			
Financial assets			
Cash and balances with Bank of Tanzania	1,341,140	-	1,341,140
Investment securities at amortised cost	744,527	-	744,527
Investment securities at FVOCI	-	17,027	17,027
Placement and balances with other banks	264,326	-	264,326
Loans and advances to customers	3,595,688	-	3,595,688
Equity investments	-	2,920	2,920
Other assets (excluding prepayment) *	47,762	-	47,762
	5,993,443	**19,947**	**6,013,390**
As at 31 December 2018			
Financial assets			
Cash and balances with Bank of Tanzania	1,070,422	-	1,070,422
Investment securities at amortised cost	724,943	-	724,943
Investment securities at FVOCI	-	15,242	15,242
Placement and balances with other banks	174,391	-	174,391
Loans and advances to customers	3,251,794	-	3,251,794
Equity investments	-	2,920	2,920
Other assets (excluding prepayment) *	34,742	-	34,742
	5,256,292	**18,162**	**5,274,454**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. (b) FINANCIAL INSTRUMENTS BY CATEGORY (BANK) (CONTINUED)

Financial liabilities at amortised cost	2019 TZS' Millions	2018 TZS' Millions
Deposits from customers	4,922,278	4,327,607
Due from banks	33,446	20,770
Borrowings	276,446	301,388
Subordinated debt	70,998	70,972
Lease liabilities	156,030	-
Other liabilities (excluding non-financial other liabilities) **	96,116	82,902
	5,555,314	4,803,639

*Prepayments are excluded from other assets balance, as this analysis is for financial instruments only.

**Non-financial liabilities are excluded from other liabilities balance, as this analysis is for financial instruments only.

39. CONTINGENT LIABILITIES AND COMMITMENTS (GROUP AND BANK)

(a) Loan commitments guarantee and other financial facilities

In common with other banks, the Bank conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

As at 31 December 2019, the Bank had the contractual amounts of off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities, as follows: -

	2019 TZS' Millions	2018 TZS' Millions
Commitments		
Guarantees and Indemnities	202,752	212,113
Undrawn Commitments	113,934	129,355
Acceptances and letters of credit	335,968	200,899
	652,654	**542,367**

Acceptances and letters of credit

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, and reimbursement by the customer is normally immediate. Letters of credit commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

(b) Legal claims

Some previous loan customers and ex-employees are suing the Bank for various reasons. With the exception of amounts disclosed in Note 31, the amounts claimed in both situations are not material and professional advice indicates that it is unlikely that any significant loss will arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. CONTINGENT LIABILITIES AND COMMITMENTS (GROUP AND BANK) (CONTINUTED)

(c) Capital commitments

As at 31 December 2019, the Bank had capital commitments of TZS 14,218 million (2018: TZS 37,158 million) in respect of new branches, branch remodeling, equipment and information technology. The expenditure contracted as at the end of reporting period but not yet incurred is as follows:

	2019	2018
	TZS' Millions	TZS' Millions
Information technology	10,223	29,436
Branch and business centres remodeling	1,107	4,238
Others including equipment, vehicles and furniture	2,888	3,484
	14,218	**37,158**

The Bank's management is confident that future net revenues and funding will be sufficient to cover these commitments.

40. EFFECTIVE INTEREST RATES OF FINANCIAL ASSETS AND LIABILITIES (GROUP AND BANK)

The effective interest rates for the principal financial assets and liabilities at 31 December 2019 were as follows:

	2019	2018
	%	%
Government securities	12.63	13.54
Deposits with banking institutions	1.20	5.23
Loans and advances to customers	15.51	15.41
Customer deposits	1.91	1.74
Deposits from banks	0.07	8.45
Borrowings	9.77	8.72

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. RELATED PARTY TRANSACTIONS AND BALANCES

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions.

The volumes of related party transactions, outstanding balances at year-end, and related expense and income for the year are as follows:

(a) Loans and advances to related parties

At 31 December 2019 there were no loans issued to companies controlled by the Directors or their families. Advances to customers at 31 December 2019 include loans to key management personnel and related entities as follows:

GROUP	2019	2018
Key management personnel	**TZS' Millions**	**TZS' Millions**
At start of year	1,287	1,527
Advanced during the year	2,703	768
Repaid during the year	(1,627)	(1,008)
At end of year	**2,363**	**1,287**
Interest income earned	214	78

BANK	Key management personnel		Related companies	
	2019 TZS' Millions	2018 TZS' Millions	2019 TZS' Millions	2018 TZS' Millions
At start of year	1,287	1,527	10,590	15,316
Advanced during the year	2,703	768	-	-
Repaid during the year	(1,627)	(1,008)	(4,908)	(4,726)
At end of year	**2,363**	**1,287**	**5,682**	**10,590**
Interest income earned	214	78	778	1,100

Provision recognized in respect of loans given by the Group and Bank to key management personnel amounted to TZS 2.8 million (2018: TZS 2 million). Mortgage loans issued to key management were secured and the rest were unsecured. These loans carry off-market interest rates ranging between 5% and 9% and are repayable on demand. As at 31 December 2019, the Group and Bank held collateral valued at TZS 1,323 million (2018: TZS 2,556 million).

The Bank had advanced loans of USD 12.3 million (2015: USD 7.3 million and 2013: USD 5 million) to its subsidiary Upanga Joint Venture Company Limited (UJVC) to meet costs of construction of its headquarters. The loan is repayable in 84 months and attracts a fixed interest rate of 8% p.a. (for the first three years) and floating rate at six months LIBOR + 7.5% p.a. from year four to the last year of the facility. As at the year-end, outstanding loan balance was TZS 5,682 million equivalent to USD 2.5 million (2018: TZS 10,590 million equivalent to USD 4.6 million). As at 31 December 2019, the bank held a provision of TZS 137 million (2018: TZS 14 million) against this loan. The loan is secured by a landed property collateral valued at TZS 59,840 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Deposits from related parties

GROUP	Directors and key Management personnel	
	2019 TZS' Millions	2018 TZS' Millions
Deposits at the beginning of the year	273	390
Deposits received during the year	5,575	3,144
Deposits repaid during the year	(5,292)	(3,261)
Deposits as at the end of the year	**556**	**273**
Interest expense	5	4

BANK	Directors and key Management personnel		Related companies	
	2019 TZS' Millions	2018 TZS' Millions	2019 TZS' Millions	2018 TZS' Millions
Deposits at the beginning of the year	273	390	12,489	92
Deposits received during the year	5,575	3,144	1,558	21,553
Deposits repaid during the year	(5,292)	(3,261)	(8,287)	(9,156)
Deposits as at the end of the year	**556**	**273**	**5,760**	**12,489**
Interest expense	5	4	-	-

The above deposits are unsecured, carry variable interest rate and are repayable on demand. Related companies included in this disclosure is Upanga Joint Venture Company Limited.

(c) Transactions and balances with Rabobank (GROUP AND BANK)

Based on the management service contract approved by the Board, a total of TZS 2,707 million (2018: TZS 3,843 million) was paid to Rabobank during the year as management and technical assistance expenses. Management fees payable as at year-end was TZS 781 million (2018: TZS 458 million).

Nostro balances with Rabobank at year-end amounted to TZS 66,103 million (2018: TZS 17,523 million). There was no inter-bank balance due to Rabobank as at year-end. The Bank incurred expenses amounting to TZS 505 million (2018: TZS 512 million) refundable from Rabobank.

(d) Transactions and balances with Upanga Joint Venture (BANK)

During the year, the Bank incurred operating lease expenses amounting to TZS 6 billion (2018: TZS 6 billion) to Upanga Joint Venture Limited. As at 31 December 2019, the Bank had prepaid rent amounting to TZS 5,977 million (2018: TZS 12,067 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(e) Key management compensation

GROUP AND BANK	Directors and key Management personnel	
	2019 TZS' Millions	2018 TZS' Millions
Salaries and other short-term benefits	3,975	3,760
Post-employment benefits - defined contribution plan	124	348
	4,099	**4,108**

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 compensation made to expatriates from Rabobank is included in the management service contract highlighted in part (e) below and therefore excluded in the above benefits.

(f) Transactions and balances with Government of Tanzania (GROUP AND BANK)

The Government of Tanzania owns 31.8% (2018: 31.8%) equity in the Bank and has significant influence. The Bank invested in government securities during the year and at the year-end the amount receivable from the Government of Tanzania in the form of treasury bills and bonds amounted to TZS 761,554 million (2018: TZS 740,185 million). Interest earned from investment in government securities during the year was TZS 94,067 million (2018: TZS 98,181 million). The Bank also accepts deposits from various Government institutions and agencies, which do not attract interest.

(g) Directors' remuneration (GROUP AND BANK)

Fees and other emoluments paid to Directors of the Bank during the period amounted to TZS 254 million (2018: TZS 309 million). Details of payment to individual directors is shown in the table below.

DIRECTORS	Board	BARCC	BCC	BHR&RC	BEC	DIRECTORS FEES & REMUNERATION TZS 2019
PROF. JOSEPH SEMBOJA	7	-	-	-	3	31,770,000
MR. GEORGE MANDEPO	4	-	4	-	-	11,110,000
MRS. MARGARET IKONGO	8	6	2	4	2	44,829,000
MR. LEONARD MUSUSA	7	10	7	-	-	42,982,000
MR. MATHIAS MAGWANYA	8	4	-	3	3	38,308,000
MR. GEORGE MULAMULA	8	10	7	-	-	40,781,000
MR. RIK REISINGER	5	-	5	2	-	11,117,250
MR. JOS VAN LANGE	2	3	-	-	-	11,117,250
MS. CHRISTINE GLOVER	8	-	11	4	4	22,234,500

42. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period that had material impact to the consolidated and Bank financial statements.

Contact Information and Distribution Network

COMPANY INFORMATION AND KEY CONTACTS

1. HEAD OFFICE

Ohio/Ali Hassan Mwinyi Road
P.O. Box 9213, Dar es Salaam
Tel: (General): +255222322000 | Fax: +255222112148

2. WHOLESALE BANKING

GOVERNMENT BUSINESS

P.O. Box 9213, Dar es Salaam
Tel: (Direct): +255 22 2161157
Tel: (General): +255 22 2127362

INSTITUTIONAL BANKING

P.O. Box 9213, Dar es Salaam
Tel: (General): +255 22 2322000 | Fax: +255 22 2112148

TRANSACTIONAL BANKING

P.O. Box 9213, Dar es Salaam
Tel: (General): +255 22 2322000 | Fax: +255 22 2112148

CORPORATE BANKING

P.O. Box 9213, Dar es Salaam
Tel: (General): +255 22 2322000 | Fax: +255 22 2112148

3. RETAIL BANKING

BUSINESS BANKING

Business Banking
P.O. Box 9213, Dar es Salaam
Tel: (General): +255 22 2322000 | Fax: +255 22 2112148

PERSONAL BANKING

P.O. Box 9213, Dar es Salaam
Tel: (General) : +255 22 2322000 | Fax: +255 22 2112148

ALTERNATIVE CHANNELS

P.O. Box 9213, Dar es Salaam
Tel: (General): +255 22 2322000 | Fax: +255 22 2112148

FOREIGN EXCHANGE

P.O. Box 9213, Dar es Salaam Tel: (Direct): +255 22 2322020
Fax: +255 22 2112149

MONEY MARKETS

P.O. Box 9213, Dar es Salaam
Tel: (Direct): +255 22 2322010 | Fax: +255 22 2112149

NETWORK DISTRIBUTION

4. DAR ES SALAAM ZONE

REGION	BRANCH/UNIT	CONTACT ADDRESS	TEL. DIRECT	TEL. GENERAL	FAX NO.
DSM	DSM Zonal Office	P.O. Box 4887, Dar es Salaam	022 2128684	022 2128685	022 2128687
	Bank House	P.O. Box 9031, Dar es Salaam	022 2115054	022 2116924	022 2116487
	Ilala	P.O. Box 25431, Dar es Salaam	022 2203194	022 2203195	022 2128542
	Kariakoo	P.O. Box 15195, Dar es Salaam	022 2180149	022 2180034	022 2180090
	Magomeni	P.O. Box 10930, Dar es Salaam	022 2170070	022 2172646	022 2170622
	Morogoro Road	P.O. Box 9064, Dar es Salaam	0222113585	022 2138945	022 2128542
	Muhimbili	P.O. Box 65589, Dar es Salaam		0222152055	
	Mwenge	P.O. Box 31597, Dar es Salaam	022 2700927	022 2700931	022 2700928
	Temeke	P.O. Box 45075, Dar es Salaam	022 2856852	022 2856181	022 2856915
	University	P.O. Box 35199, Dar es Salaam	022 2410183	022 2410183	022 2410183
	Mbagala	P.O. Box 45067, Dar es Salaam	0736990193	0736990191	07360990192
	Msasani	P.O. Box 33841, Dar es Salaam	022 2668871	022 2666191	022 2668872
	NMB House	P.O. Box 2653, Dar es Salaam	022 2324124	022 2324125/7	022 2161006
	Ubungo	P.O. Box 10930, Dar es Salaam	022 2461849	022 2461847	022 2461849
	Tegeta	P.O. Box 66787, Dar es Salaam	022 2926300	022 2926301	022 2926302
	Congo Street	P.O. Box 15195, Dar es Salaam	022 2181812	022 2181814	022 2181813
	Kurasini	P.O. Box 9031, Dar es Salaam	022 2850981	022 2850984	022 2850985
	Sinza	P.O Box 31597, Dar es Salaam	022 2773426	022 2773553	022 2773430
	Mandela Road	P. O BOX 8918, Dar es Salaam	022 80808097	022 808098	022 808099
	Maktaba Square	P.O. Box 2653, Dar es Salaam	022 2129234/5	00 2129234 /5	
	Mbezi	P.O. Box 60167, Dar es Salaam	022 2926332	022 2926333	022 2926334
	Mlimani City	P.O. Box 34115, Dar es Salaam	022 232 4120	022 232 4121	
	Airport	P.O. Box 40951, Dar es Salaam	022 2844384	022 2844385	022 2844387
	Oysterbay	P.O. Box 162409 Dar es Salaam	022 2324147	022 2324146	
	Tandika	P.O. Box 45075 Dar es Salaam	022 2856141	022 2161582	
	Gongolamboto			022 232 4192	
	Ohio	P.O. Box , Dar es Salaam	022 2322726		
	TPA	P.O. Box , Dar es Salaam	022 2161030		
	Kigamboni		022 2324174		
	Mbezi Louis		022 232 4213		

ZANZIBAR	Mwanakerekwe	P.O. Box 4608 Pemba	024 2234693	024 2234692	024 2234693
	Chake Chake	P.O. Box 153, Pemba	024 2452052	024 2452954	024 2452433
	Zanzibar Town	P.O Box 4608, Zanzibar	024 2239402	024 2239403	024 2239404

5. EASTERN ZONE

REGION	BRANCH/UNIT	CONTACT ADDRESS	TEL. DIRECT	TEL. GENERAL	FAX NO.
MOROGORO	Eastern Zonal Office	P.O. Box 1066, Morogoro	023 2613479	023 2613601	023 2613600
	Ifakara	P.O. Box 33, Ifakara	023 2931554	023 2931552	023 2931553
	Kilombero	P.O. Box 142, Kidatu	023 2931542	023 2931541	
	Kilosa	P.O Box 3, Kilosa	023 2623017	023 2623233	023 2623073
	Mahenge	P.O. Box 61, Mahenge	022 232 4101	022 232 4102	
	Mahenge	P.O. Box 61, Mahenge	0767 713392	0719 498119	
	Turiani	P.O. Box 167, Turiani	023 2931101	023 2931102	023 2931100
	Mvomero	P.O. Box 478, Morogoro	023 2628734	023 2628735	023 2628733
	Wami	P.O. Box 84, Morogoro	023 2613534	023 2613177	023 2613849
	Mt. Uluguru	P.O. Box 81, Morogoro	023 2614407	023 2614408	023 2614406
	Gairo	P.O. Box 12, Gairo	022 2211326	022 2211327	
	Msamvu	P.O. Box 976, Morogoro	022 2324257	022 2324258	
COAST	Bagamoyo	P.O. Box 76, Bagamoyo	023 2440128	023 2440071	023 2440055
	Chalinze	P.O. Box 34, Chalinze	023 2402922	023 2402923	023 2402922
	Kibaha	P.O. Box 30430, Kibaha	023 2402833	023 2402832	023 2402832
	Kibiti	P.O. Box 5, Kibiti	023 2010922	023 2010081	023 2010912
	Kisarawe	P.O. Box 28053, Kisarawe	023 2401035	023 2401020	
	Mafia	P.O. Box 30, Mafia	023 2011331	023 2010172	023 2010171
	Mkuranga	P.O. Box 51, Mkuranga	23 2110092	023 2110093	023 2110094
	Mlandizi	P.O. Box 30430 Kibaha	022 2211339	022 2211340	

6. CENTRAL ZONE CENTRAL ZONE

REGION	BRANCH/UNIT	CONTACT ADDRESS	TEL. DIRECT	TEL. GENERAL	FAX NO.
DODOMA	Zonal Office	P.O. Box 888, Dodoma		026 2322260/	026 2323544
	Bahi	P.O. Box 33, Ifakara	022 232 4054	023 2931552	023 2931553
	Makole	P.O. Box 30430 Kibaha	022 232 4072	022 2211340	
	Chamwino		022 232 4051		
	Kondoa	P.O. Box 95, Kondoa	026 2360306	026 2360020	026 2360306
	Kongwa	P.O. Box 200, Kongwa	026 2320431	026 2320477	026 2320477
	Kibaigwa	P.O. Box 29, Kibaigwa			
	Mpwapwa	P.O. Box 77, Mpwapwa	026 2320633	026 2320782	026 2320797
	Dodoma	P.O. Box 1482, Dodoma	026 2322067	026 2322405	026 2322219
	Bunge	P.O. Box 1482, Dodoma	026 2320010		
	UDOM	P.O. Box 277, Dodoma	026 2310107		026 2310108
	Mazengo	P.O. Box 2591 Dodoma	026 2321185	026 2321186	026 2321189
SINGIDA	Kiomboi	P.O. Box 44, Kiomboi	026 2532296	026 2532650	026 2532159
	Manyoni	P.O. Box 47, Manyoni	026 2540328	026 2540145	026 2540328
	Singida	P.O. Box 1040, Singida	026 2502100	026 2502104/5	026 2502100
	Itigi	P.O. Box 116, Itigi	026 2540327	026 2540304	026 2540104
	Ikungi	P.O. Box 528 Ikungi	022 2324057		
MANYARA	Mbulu	P.O. Box 33, Mbulu	027 2533090	027 2533064	027 2533090
	Babati	P.O. Box 70, Babati	027 2531113	027 2531027	027 2531113
	Kibaya	P.O. Box 53, Kibaya	027 2555433	027 2552030	027 2555433
	Katesh	P.O. Box 82, Katesh	027 2531697	027 2530077	027 2530076
	Simanjiro	P.O. Box 9527, Simanjiro	0272555692	027 2555693	027 2555693
	Haydom	P.O. Box 33, Mbulu	026 2540145		

7. NORTHERN ZONE

REGION	BRANCH/UNIT	CONTACT ADDRESS	TEL. DIRECT	TEL. GENERAL	FAX NO.
ARUSHA	Northern Zonal Office	P.O. Box 1256, Arusha	027 2508079	027 2508516	027 2548275
	Clock Tower	P.O. Box 3093, Arusha	027 2502599	027 2508521	027 2545184
	Karatu	P.O. Box 50, Karatu	027- 2534037	027 2534030	027 2534024
	Ngarenaro	P.O. Box 15741 Arusha	027 2548457	027 2548854	027 2548573

	Monduli	P.O. Box 20, Monduli	027 2538069	027-2538031	027 2538069
	Loliondo	P.O. Box 60, Loliondo	027 2535207	027 2535070	027 2535207
	Namanga	P.O. Box 8500, Namanga	027 2539503	027 2539505	027 2539504
	Arusha Market	P.O. Box 11168, Arusha	027 2547331	027 2547332	027 2547330
	Arusha Business Centre	P.O. Box 632, Arusha	027 2545741	027 2545740	027 2545743
	Usa River	P.O. Box 131, Arusha	027 2541085	027 2541086	027 2541087
	Mererani	P.O. Box 5123, Arusha	022 2211002	022 2211003	
	Sanya Juu	P.O. Box, Arusha	022 2161668		
	Ngaramtoni	P.O BOX 16806 Ngramtoni	022 2324793	022 2329711	
	Mto wa Mbu	P.O BOX 65 Mto wa Mbu	022 2324790	022 2324791	
KILIMANJARO	Hai	P.O. Box 129, Hai	027 2756129	027 2756129	027 2750649
	Mwanga	P.O. Box 93, Mwanga	027 2750115	027 2757747	027 2757689
	Nelson Mandela	P.O. Box 1121, Moshi	027 2752421	027 2755199	027 2751546
	Rombo	P.O. Box 25, Mkuu-Rombo	027 2757114	027 2757147	027 2757114
	Same	P.O. Box 74, Same	027 2758138	027 2758136	027 2750002
	Mawenzi	P.O. Box 1825, Moshi	027 2751063	027 2751061	027 2751081
	Tarakea	P.O. Box 11 Tarakea	027 2757566	027 2757566	027 2757826
	Himo	P.O. Box 183 Himo	027 2757605	027 2757605	027 2757608
	Hedaru				
	Mbuyuni				
TANGA	Handeni	P.O. Box 123, Handeni	027 2641761	027 2641740	027 2641761
	Korogwe	P.O. Box 165, Korogwe	027 2650068	027 2646364	027 2650095
	Lushoto	P.O. Box 24, Lushoto	027 2640097	027 2640024	027 2640149
	Madaraka	P.O. Box 1396, Tanga	027 2646452	027 2644371	027 2643793
	Mkwakwani	P.O. Box 5056, Tanga	027 2646484	027 2646485	027 2646483
	Mombo	P.O. Box 140Mombo	027 2641540	027 2641576	027 2641518
	Muheza	P.O. Box 414, Muheza	027 2641480	027 2641177	027 2641480
	Pangani	P.O. Box 90, Pangani	027 2630055	027 2630307	027 2630092
	Kilindi	P.O. Box 46, Kilindi	0788 800404	0788 800405	
	Bumbuli	P.O. Box 103 Kwemuae, Bumbuli-Lushoto	022 23244757		
	Mkata		022 2324101		

8. HIGHLANDS ZONE

REGION	BRANCH/UNIT	CONTACT ADDRESS	TEL. DIRECT	TEL. GENERAL	FAX NO.
MBEYA	Highland Zonal Office	P.O. Box 792, Mbeya	025 2502527	025 2504347	025 2502853
	Chunya	P.O. Box 65, Chunya	025 2520019	025 2520048	025 2520019
	Ileje	P.O. Box 17, Ileje	025 2570021	025 2570234	025 2570021
	Kyela	P.O. Box 74, Kyela	025 2540023	025 2540094	025 2540023
	Mbalizi Road	P.O. Box 282, Mbeya	025 2500890	025 2502547	025 2502413
	Mbarali	P.O. Box 75, Rujewa	025 2590196	025 2590052	025 2590051
	Mbozi	P.O, Box 4, Mbozi	025 2580022	025 2580041	025 2580022
	Mount Loleza	P.O. Box 922, Mbeya	025 2502879	025 2502880	025 2502879
	Mwanjelwa	P.O. Box 1768, Mbeya	025 2502826	025 2502462	025 2500070
	Tukuyu	P.O. Box 180, Tukuyu	025 2552149	025 2552253	025 2552149
	Tunduma	P.O. Box 140, Tunduma	025 2530665	025 2530049	025 2530665
	Usongwe	P.O. Box 4623, Mbeya	025 2560120	025 2560121	025 2560122
	Mlowo		0737 225162		
	Mkwajuni		022 2324787/8	0713 954775	
	Kasumulu	P.O.BOX 74 Kyela	0713 141519		
IRINGA	Mafinga	P.O. Box 90, Mafinga	026 2772108	026 2772011	026 2772108
	Kilolo	P.O. Box 2332, Kilolo	026 2968012	026 2968011	
	Mkwawa	P.O. Box 52, Iringa	026 2702036	026 2702038	026 2702054
	Ruaha	P.O. Box 26, Iringa	022 232 4857	022 232 4858	
NJOMBE	Makete	P.O. Box 24, Makete	026 2740027	026 2740028	026 2740101
	Njombe	P.O. Box 413, Njombe	026 2782785	026 2782778	026 2782785
	Makambako	P.O. Box 1030, Makambako	026 2730388	026 2730006	
	Ludewa	P.O. Box 10, Ludewa	026 2790102	026 2790019	026 2790102
	Wanging'ombe	P.O BOX 413 Njombe	022 2324387	0754 231334	
KATAVI	Mpanda	P.O. Box 55, Mpanda	025 2820315	025 2820034	025 2820315
	Mlele	P.O.box 55 Mpanda	0764 232773		
RUKWA	Nkasi	P.O. Box 12, Namanyere	025 2830010	025 2830007	025 2830010
	Sumbawanga	P.O. Box 37, Sumbawanga	025 2800256	025 2800258	025 2800256
	Kalambo	P.O. Box 37, Sumbawanga	022 2324372	0784 407933	
	Laela	P.O. Box 37, Sumbawanga	022 2324372	0753 491817	

9. LAKE ZONE

REGION	BRANCH/UNIT	CONTACT ADDRESS	TEL. DIRECT	TEL. GENERAL	FAX NO.
MWANZA	Lake Zonal Office	P.O. Box 1580, Mwanza	028 2501050	028 2500867	028 2500691
	Geita	P.O. Box 10, Geita	028 2520442	028 2520021	028 2520442
	Kenyatta Road	P.O. Box 1444, Mwanza	028 2500387	028 2502592	028 2501736
	Magu	P.O. Box 12, Magu			028 25301
	Misungwi	P.O. Box 122, Misungwi	0732 980747		073 2980747
	Nansio	P.O. Box 61, Nansio	028 2515051	028 2324524	028 2515091
	Katoro	P.O. Box, Katoro			
	Nyamongo	P.O. Box, Nyamongo	022 2324566		
	Ngudu	P.O. Box 68, Ngudu	028 2983109	028 2983108	073 2980919
	Pamba Road		022 2324579	022 234644	
	Regional Drive	P.O. Box 537, Mwanza	028 2541106	028 2541107	028 2541108
	Sengerema	P.O. Box 96, Sengerema	028 2590075	028 2590248	028 2590025
	PPF Agency	P.O. Box 1444 Mwanza	028 2506030	028 2506030	028 2506030
	Rock City	P.O. Box 7201 Mwanza	028 2981110		
	Igoma	P.O. BOX 1055 Mwanza	022 2324629	022 2324630	
MARA	Bunda	P.O. Box 53, Bunda	028 2621152	028 2621039	028 2621153
	Butiama	P.O. Box 35 Butiama	022- 221 1026		
	Mugumu	P.O. Box 4, Mugumu		732985970	
	Musoma	P.O. Box 561, Musoma	028 2620807	028 2620806	
	Tarime	P.O. Box 108, Tarime	028 2690918	028 2690062	028 2690100
	Rorya	P.O. Box 68, Shirati			
	Buzuruga	P.O. Box 1450, Mwanza	028 2570482	028 2570482	028 2570484
	Rorya	P.O. Box 68 Rorya	022 221 1027		
KAGERA	Biharamulo	P.O. Box 27, Biharamulo	028 2225017	028 2225017	028 2225155
	Bukoba	P.O. Box 1552, Bukoba	028 2220176	028 2220154	028 2220417
	Kayanga	P.O. Box 69, Karagwe	028 2227111	028 2227162	028 2227111
	Muleba	P.O. Box 8, Muleba	028 2224170	028 2224012	028 2224020
	Ngara	P.O. Box 92, Ngara	028 2226049	028 2226223	028 2226013
	Chato	P.O. Box 68, Chato	028 2982532	028 2982541	028 2982542
	Misenyi	P.O. Box 56, Misenyi	0732 983453	028 2222323	028 2222331
	Rusumo	P.O. Box , Rusumo	028 2982862		

Kyerwa	P.O. Box 8, Kyerwa	022 2324647
Kaitaba		022 2324539
Nkwenda	P.O. Box 08, Nkwenda Kyerwa	022 2324647
Mtukula	P.O. Box 56, Kyaka	022 232 4078
Kabanga	P.O. Box 92, Ngara	022 2321106

10. WESTERN ZONE

REGION	BRANCH/UNIT	CONTACT ADDRESS	TEL. DIRECT	TEL. GENERAL	FAX NO.
TABORA	Western Zonal Office	P.O. Box 681, Tabora	026 2606423	026 2606424	026 2606425
	Igunga	P.O. Box 80, Igunga	026 2650054	026 2650027	026 2650024
	Mihayo	P.O. Box 211, Mihayo	026 2604158	026 2604376	026 2604925
	Nzega	P.O. Box 163, Nzega	026 2692340	026 2692322	026 2692340
	Sikonge	P.O. Box 32, Sikonge	073 2988362	0732 988362	073 2988483
	Urambo	P.O. Box 156, Urambo	0732 988259	0732 988336	073 2988256
	Nkinga	P.O. Box 01, Nkinga	022 2324474		
KIGOMA	Kasulu	P.O. Box 70, Kasulu	028 281 0111	028 2810026	028 2810345
	Kibondo	P.O. Box 69, Kibondo	028 2820216	028 2820023	028 2820216
	Kigoma	P.O. Box 1067, Kigoma	028 2803328	028 2804705	028 2804586
	Uvinza	P.O. Box 3, Uvinza	022 2324455		
SIMIYU	Bariadi	P.O. Box 2, Bariadi	028 2700533	028 2700004	028 2700175
	Maswa	P.O. Box3, Maswa	028 2750372	028 2750321	028 2750372
	Mwanhuzi	P.O. Box 48, Meatu	028-2795292	028-2795080	028 2795292
	Itilima	P.O. Box 2, Bariadi	022 2324471		
SHINYANGA	Manonga	P.O. Box 811, Manonga	028 2763629	028 2763439	028 2763441
	Mwadui	P.O. Box 324, Mwadui	028 2763461		028 2763461
	Kakonko	P.O. Box, Kakonko	022 2211323/4		
	Kaliua	P.O. Box, Kaliua	0737 214715/4		
	Kishapu	P.O. Box, Kishapu	028 2770021/16		
	Kahama	P.O. Box 183, Kahama	028 2710063	028 2710083	028 2710103
	Kahama Business Center				
GEITA	Bukombe	P.O. Box 134, Bukombe	028 2520702	028 2520703	028 2520702

11. SOUTHERN ZONE

REGION	BRANCH/UNIT	CONTACT ADDRESS	TEL. DIRECT	TEL. GENERAL	FAX NO.
MTWARA	Southern Zonal Office	P.O. Box 625, Mtwara	023 2333329	023 2334020	023 2333667
	Masasi	P.O. Box 105, Masasi	023 2510024	023 2510058	023 2510024
	Mtwara	P.O. Box 508, Mtwara	023 2333951	023 2333946	023 2333983
	Ndanda	P.O. Box 7, Ndanda		0717 407538	
	Nanyumbu	P.O . Private Bag, Nanyumbu	025 2675005	025 2675003	
	Newala	P.O. Box 60, Newala	023 2410561	023 2410261	023 2410221
	Tandahimba	P.O. Box 15, Tandahimba	023 2410090	023 2410089	023 2410091
	Mtwara Business Center	P.O. Box 625, Tanu Rd. Mtwara	023 2334852		
LINDI	Kilwa	P.O. Box 13, Kilwa-Masoko	023 2013072	023 2013056	023 2013072
	Lindi	P.O. Box 1021, Lindi	023 2202188	023 2202474	023 2202018
	Liwale	P.O. Box 82, Liwale	073 2933304		073 2933123
	Nachingwea	P.O. Box 102, Nachingwea	0732 933139	073 2933297	073 2933139
	Ruangwa	P.O. Box 100, Ruangwa	0788 800403	0788 800406	0732 933136
RUVUMA	Litembo	Private Bag, Litembo	073 2950567	073 2950540	0732 950567
	Mbinga	P.O. Box 4, Mbinga	025 2640072	025 2640466	025 2640306
	Songea	P.O. Box 641, Songea	025 2602466	025 2602486	025 2602469
	Tunduru	P.O. Box 24, Tunduru	025 2680067	025 2680086	025 2680186
	Namtumbo	P.0. Box 66 Namtumbo	025 2602848	025 2602890	025 2602858
	Madaba	P.O. Box 1, Madaba	022 2324415		

Close to you

NMB BANK PLC

HEAD OFFICE

Ohio/Ali Hassan Mwinyi Road
P.O. Box 9213, Dar es Salaam
Tel: (General): +255222322000
Fax: +255 22 2112148

www.nmbbank.co.tz