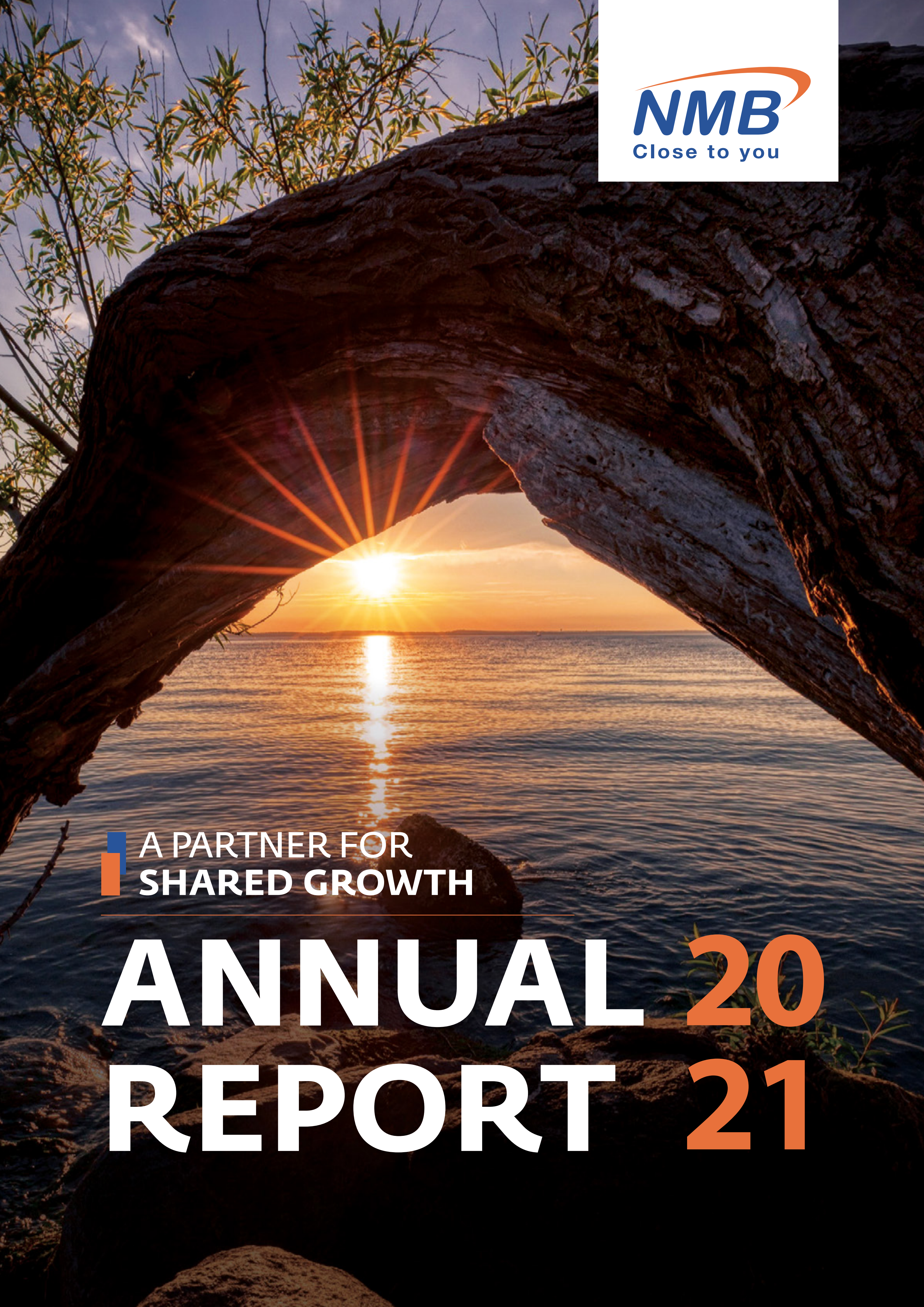


NMB
Close to you

A PARTNER FOR
SHARED GROWTH

ANNUAL REPORT 2021

About this Report

The purpose of this report is to explain how NMB Bank Plc ("the Bank, we") create sustainable value for our stakeholders over time. We aim to provide our stakeholders a sufficiently informed view of our ability as a provider of banking services, but also as a responsible employer and a contributor to our communities and society. The report explains our business, strategy, financial and non-financial performance during the year, and provides information about our governance practices and structures, our approach to risk management, and prospects in the context of our operating environment.

We report on the progress we have made in the period 1 January 2021 to 31 December 2021 to achieve the objectives related to the bank's key areas of focus.

Reporting Boundary

The financial and non-financial data in this report pertains to NMB Bank Plc. as the financial reporting entity.

The reporting boundary includes the strategic narrative in this report and pertains mainly to our banking activities across the country, where they are relevant to the bank's business model and strategy, performance and prospects.

Reporting Framework

The financial information in this report has been prepared in accordance with International Financial Reporting Standards (IFRS). Our reporting process is guided by prevailing guidelines and regulations, including Bank of Tanzania's (BoT) prudential guidelines, National Board of Accountants and Auditors (NBAA), Capital Market and Securities Authority (CMSA) and Dar es Salaam Stock Exchange (DSE) guidelines. Some principles of the Integrated Reporting <IR> Framework have been applied in this report to guide content. We remain committed to continuously enhancing our reporting process in line with prevailing guidelines and international best practices, including achieving full adherence to the Integrated Reporting <IR> Framework.

Combined Assurance

To ensure overall accuracy in reporting and disclosures, a combined review by management and internal audit was performed to ensure the accuracy of our reporting content, with respective oversight roles being provided by the Board and Board subcommittees. This report contains certain information that has been extracted from the audited consolidated annual financial statements. The Bank's consolidated annual financial statements were audited by PricewaterhouseCoopers (PwC) and received unqualified report.

Directors Responsibility

The Board has applied its collective mind to the preparation and presentation of the information in this report. The Board acknowledges its responsibility for ensuring the integrity of this report. The report provides material and relevant information to providers of financial capital to enable informed capital allocation decisions, while supplying information relevant to broader stakeholders. The Board approved this Annual Report on 20 May 2022.

Table of Contents

A PARTNER FOR **SHARED GROWTH**

Abbreviations

AGM	Annual General Meeting
ALCO	Assets and Liabilities Committee
ALM	Assets and Liabilities Management
BARCC	Board Audit, Risk and Compliance Committee
BIA	Basic Indicator Approach
BOT	Bank of Tanzania
CSR	Corporate Social Responsibility
DSE	Dar es Salaam Stock Exchange
EAC	East African Community
EAD	Exposure at Default
ECL	Expected Credit Losses
EIB	European Investment Bank
EPS	Earnings per Share
ERMF	Enterprise Risk Management Framework
FMO	Financierings-Maatschappij voor Ontwikkelingslanden N.V
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit or Loss
IASB	International Accounting Standards Board
ICT	Information and Communication Technology
IESBA	International Ethics Standards Board for Accountants
IASB	International Accounting Standards Board
ICT	Information and Communication Technology
IESBA	International Ethics Standards Board for Accountants
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
LC	Letters of Credit
LDR	Loans to Deposits Ratio
LGD	Loss Given Default
LIBOR	London Bank Offered Rate
LTFR	Long-term Funding Ratio
MNO	Mobile Network Operator
MSE	Micro and Small Enterprises
NMB	NMB Bank Plc
NHIF	National Health Insurance Fund
NPL	Non Perfoming Loan
OCI	Other Comprehensive Income
PD	Probability of Default
POCI	Purchased or Originated Credit Impaired
QR	Quick Response
SADC	Southern African Development Community
SICR	Significant Increase in Credit Risk
SME	Small and Medium Enterprises
SMR	Statutory Minimum Reserve
SPPI	Solely Payments of Principal and Interest
SPV	Special Purpose Vehicles
SWL	Salaried Workers' Loan
TFRS-1	Tanzania Financial Reporting Standards Number -1
TMRC	Tanzania Mortgage Refinance Company Limited
TZS	Tanzanian Shillings
UJVC	Upanga Joint Venture Company
UNDP	United Nations Development Programme
USD	United States Dollars
USSD	Unstructured Supplementary Service Data
YoY	Year on Year

WHO WE ARE

Who we are

Overview of NMB Bank Plc.

Harnessing the power of a vast network, deep rooted local presence, NMB Bank Plc. is the largest and most profitable Bank in Tanzania. With a 3,482-strong employee base; a Balance sheet size of over TZS 8.7 Trillion as of December 2021, and a geographical footprint that touches every corner of the country, NMB plays a key role in helping its clients' growth and advancing Tanzania's Social Economic Development Agenda.

We support our clients holistically through the delivery of retail, corporate banking services and agri financing, including a full range of lending products; customized services for corporations and government entities, including, trade finance, treasury and specialized cash management services.

Staff
3,482

Customer Accounts
5 million+

Total Assets
TZS 8.7 trillion

Customer Deposits
TZS 6.6 trillion

Profit After Tax
TZS 290 billion

Market Capitalization
TZS 1 trillion+

Tier I Capital Ratio
23.8%

Total Capital Ratio
24.6%

Earnings Per Share
580

Return on Equity
21%

Market Leading Digital Innovations

Largest Taxpayer – Financial Institutions

Our Differentiators

We aim to deliver for our customers and clients, create a great place to work for colleagues, support society and provide consistent returns to shareholders. As we target sustainable growth for our company, our stakeholders will also be able to prosper.

Client Focused

Our clients are at the center of all we do. Through our engagements with our clients, we build long-term relationships and provide best-in-class services and products, advice, and expertise.

Committed to Positively Impacting Society

We are focused on creating strong value and are committed to contributing towards positive outcomes for our stakeholders, including delivering positive societal and environmental impact, underpinned by a strong client-focused and people-oriented culture.

Distinct Value Propositions

Our deep-rooted local presence, unique understanding of our clients' needs, world-class technology and digital innovations, and our strong brand heritage allow us to offer a truly tailored proposition to our clients which are relevant to their evolving needs.

Strong Governance Foundations

Strong governance framework and effective risk management allows us to operate and grow a sustainable business.

Prudent Cost-management and Focus on Efficiency

We are focused on prudently managing expenses over time and on-going cost-optimization initiatives, while optimizing investments in technology to enhance client experience.

A Socially Responsible Business

We are committed to supporting social and economic development by contributing to sustainable economic growth through our banking activities and by continuously investing in the communities in which we operate.

Multi-Award Winning

In 2021, we received a number of awards in recognition of our work, in which we always strive for excellence. The acknowledgements attest to our commitment to the quality of services we provide and our contribution to our stakeholders.

Best Bank in Tanzania 2021

9th time in a row
Euromoney Awards

7 International Awards in 2021

Best Retail Bank in Tanzania 2021

Global Banking and Finance Award

Safest Bank in Tanzania 2020/2021

Global Finance

Best Innovation Retail Bank in Tanzania 2021

International Banker Awards

Best SME Bank in Tanzania 2021

World Economic Banking Award

Best Investment Bank in Tanzania 2021

World Economic Banking Award

Largest Taxpayer Award - Financial Institutions 2021

TRA

How We are Organized to Serve

We deploy finance responsibly to support people and businesses, championing innovation and sustainability, for the common good and the long term. We offer a full suite of financial services and products, both conventional and specialized, to customers through our three main business divisions:

Retail Banking

Who we serve

Individual clients, Agri, and small and medium enterprises.

Our Products and Services

Full range of products and services including lending solutions, agri-solutions, deposit-taking services, card and payment solutions, ecosystems and platforms-based solutions.

Transactional
- Personal Accounts
- Business Accounts
- Agri Business Accounts

Savings
- Bonus Savings
- Business Savings
- Spend to Save

Investment
- Fixed Deposit
- Long-term Savings (Wekeza)

Borrowing
- Salaried Workers Loan (SWL)
- Business Loans
- Agri Loans

Payments
- Debit Cards
- Credit Cards
- Prepaid Cards
- QR
- Lipa Number
- POS

Our Areas of Strength and Differentiation

- Differentiated and strong CVPs across our different client segments, including for agri, youth, women, entrepreneurs.
- A leader in Retail and Business Banking, underpinned by an empowered business service model. Awarded:
  - Best Retail Bank in Tanzania (2021)
  - Best Innovation Retail Bank in Tanzania (2021)
  - Best SME Bank in Tanzania (2021)
  - Fastest Bank in Card Usage Growth in Tanzania - MasterCard
- Competitive relationship banking offering for the affluent (Private-banking) and small-to-medium sized business clients.
- Digitally enabled client solutions supporting wide distribution network, including over 226 branches across the entire country, a strong mobile platform- NMB Mkononi (USSD and App), wide agency network (10,000+ agents), internet banking, cards (over 3.3 mln cards base) and QR payment solutions.

Wholesale Banking

Who we serve	Large corporations, Government and private institutions, and international organizations.
Our Products and Services	Full suite of wholesale banking solutions, including corporate lending, deposit-taking, trade-finance, and transactional banking. • Structured Financing • Syndications • Asset Financing • Project Financing • Trade Finance Services • Global Digital Transaction Services • Term Deposits • Trust Accounts • Call Accounts • Chinese Desk • Government Business
Our Areas of Strength and Differentiation	• Market leading global transactions solutions tailored for corporates, government institutions, and international organizations. • Deep expertise in public sector, infrastructure, mining, oil and gas, and telecoms. • Strong client-service delivery model delivering high levels of client service. • Solid trade finance and supply chain solutions for capital management and structured financing for suppliers and distributors. • Internet banking platform with strong capabilities, enabling customers to have full control of banking services conveniently and securely.

Treasury

Who we serve	Wide range of treasury and global markets solutions provide our customers with fixed income, currencies, advisory, and capital markets solutions.
Our Products and Services	• Fixed Income Bond Trading • Spot Foreign Exchange • Risk Management Services (Forwards, Swaps) • International Transfers-18 currencies supported • Securities Services • Custody Services • Advisory Services
Our Areas of Strength and Differentiation	• The team has firmly established itself as a trusted partner with extensive on-the-ground knowledge and deep relationships. • Strong relationships and engagements with custody customers (ie. leading brokers, dealers, global custodians) provides us with a comprehensive view of the end-to-end investment cycle. • Deep financial markets experience - strong trading expertise in buying and selling major currencies and fixed income at branches and seamlessly through our digital platforms.

Ways of Banking

Cards, POS Devices, QR Codes

Wide range of payments solutions, including a card base of over 3.3 million, over 2,400 POS Devices, and over 63,000 QR Codes

NMB Wakala (Agents)

Wide agency banking network consisting of 10,194 agent outlets who complement our wide physical channels

NMB Direct (Online Banking)

The Internet Banking platform keeps being enhanced, and is designed to make banking easier, quicker, and better. We offer a superior banking experience so customers can fulfil their banking needs with ease.

NMB Mkononi (Mobile Banking)

NMB Mkononi enables customer to enjoy easy access to a variety of banking services, money transfer, buy airtime and electricity, make payments, and a lot more. All customers need is a phone to bank wherever and whenever. NMB Mkononi scan-to-pay functionality (QR payments) on the banking app makes it easy to pay anywhere. Customers can also access banking services by dialing ***150*66#**.

Call Center, Chat Banking

General enquiries, service, and sales, with Interactive Voice Response (IVR) capability. Customers can also securely access banking services using WhatsApp chat.

Branches, ATMs

An extensive physical footprint across the entire country comprising of 226 branches, 755 ATMs

Our Stakeholders

Our ability to create sustainable value for our stakeholders depends on the quality of our relationships, our activities, and the contributions we make to them. We remain committed to enrich the quality of our relationships with our stakeholders through deepened engagements to provide for their needs, creating and preserving sustainable value for our stakeholders, while looking to minimize value erosion.

Customers

We support a variety of clients including individuals, small and medium sized enterprises, agri clients, large corporates, public and private institutions with their banking needs and enable them to grow and protect their wealth.

Employees

We support our people to realize their potential, pursue their ambitions, and provide an enabling environment for them to thrive and build rewarding careers.

Investors

We aim to create long-term, sustainable value for our shareholders by delivering strong returns.

Regulators & The Government

We remain committed to playing our part in supporting the effective functioning and stability of the financial system and of the broader economy through deepened engagements with relevant authorities.

Communities

We aim to operate sustainably as a responsible company which promotes socio-economic development to enable society to thrive.

Further details on how we engaged our stakeholders during the year are available from page 187.

Our Strategy

Our Vision

To be the preferred financial services partner.

Our Mission

To be the Bank of choice, delivering innovative and transformative customer experience that promotes financial inclusion and wellbeing.

Our Values

Innovation
Leverage technology to enhance client experience.

Customer Focus
Deliver tailored solutions to address customer's unique needs.

Compliance
Operate in line with prevailing regulations and laws.

Teamwork
Delivering as a team.

Integrity
Doing the right thing.

Strategic Pillars

- Deliver Winning Propositions
- Operational Efficiency
- Transform the Customer Experience through Innovation

Review of progress along our strategic journey is available from page 214.

Our Business Activities

We remain committed to using our collective and financial expertise to contribute to the well-being and growth of the societies in which we operate by creating value to our stakeholders.

Our present and future relevance and our commitment to creating and preserving long-term value for our stakeholders depends on our ability to effectively manage and leverage the forms of capital available to us.

Our products and services

Lending

We extend credit to customers and clients through robust lending practices.

Transaction Banking

We facilitate transactions and payments, moving money around the globe.

Deposit and Funding

We provide savings and investments products.

Insurance

We offer a broad array of insurance solutions (e.g., life and general).

Trading

We connect our clients to global financial markets through trading and global markets related solutions.

Advisory

We advise and provide solutions for clients to help grow their investments.

How we generate returns

Income

TZS 982 billion

- Net interest income
- Net fee and commission income
- Trading income
- Foreign exchange income

Profit

TZS 290 billion

Income generated from serving customers minus impairments and expenses

Return on Equity

21%

Net profit relative to total equity

Our Value Creation Model

This enables us to manage our resources and relationships responsibly, in a sustainable way, to achieve our strategic ambitions and to deliver the best outcomes for our stakeholders. Further details on our resources management are available from page 205.

Inputs	How we are enhancing our resources
Financial Capital This capital enables us to deliver sustainable funding of our business activities. We deploy this capital to productive opportunities to sustain our business, leverage growth, achieve sustainable returns, and create value for our stakeholders.	Customer Deposits TZS 6.6 trillion ↑25% YoY Total Equity TZS 1.4 trillion ↑20% YoY
Human Capital This consists of our people, our organizational culture, our collective skills and knowledge, and our experience in providing innovative solutions relevant to our customers' needs and creating value for our stakeholders. Our people remain the critical factor in deriving positive results from all other capitals as they carry the vision of the Bank.	Empowered Employees 3,482 • High performance -driven culture • Strong Executive and leadership teams • Deep talent pools • Significant investments in upskilling our workforce to align with current and future needs • Strong focus on driving equitable employment opportunities • Reward scheme linked to performance and value drivers

Intellectual Capital

Our intellectual capital includes our leading technological innovations and solutions, our systems and processes, and our rich heritage and strong brand that resonates with over 5 million customer accounts in Tanzania.

- Strong brand equity
- Market-leading technological capabilities and highly skilled and experienced workforce
- Continuous innovations to improve customer experience and enhance efficiencies

Manufactured Capital

Our fixed assets such as property and equipment, digital assets, including digital products and information technology (IT) systems that provide competitive differentiation to enable us to create value for our stakeholders.

- Leading digital products and solutions
- Optimized technology investments to enhance our robust digital platforms
- Innovative delivery channels providing competitive differentiation:

NMB Mkononi
Mobile Platform

NMB Direct
Internet Banking

- Wide distribution network consisting of:

Branches	ATMs	Agents
226	755	10,194

- And a widely recognized range of card products and strong merchant partnerships.

Social & Relationship Capital

Our social and relationship capital consists of our broader relationships and engagements within our communities and amongst our various stakeholders to enable them to thrive.

Customer Accounts

over

5 million

- Committed to supporting the efforts towards attainment of Sustainable Development Goals (SDGs)
- Good relationships with our stakeholder

Natural Capital

The natural resources we impact and employ to support business operations and overall value creation to our stakeholders.

- Investments in energy-efficient building systems to support efforts towards reducing carbon emissions.
- Continuous enhancements of respective policies to support efforts towards attaining net-carbon zero targets.

Our Stakeholders

Customers | Communities | Regulator & Government | Investors | Employees

Outcomes

Return on Equity
21%

Strong capital position
Tier I Capital Ratio
23.8%

Proposed Dividend Payout
TZS 96.7 billion
↑ 28.2 billion YoY

Employee Engagement Score
75%

Staff Attrition Rate
3%
market 14%

Staff Diversity
Female ratio
48%

Customer Base
over 5 million accounts
↑ 1 million YoY

Trade-offs

Value created for our shareholders increased, driven by a solid rise in net profit which generated strong returns for investors. A key area of focus in our strategic decision-making involves finding the right balance in maximizing gains in financial capital for investors, with our longer-term growth objectives that require investment of financial capital.

Investment in our staff comprises one of the most significant costs to ensure we attract, retain, and train/develop our talent. Investments in staff impacts financial capital (in the short-term) but enables strong returns (in the long-term) in other capitals.

There is a trade-off between increased automation of solutions (intellectual and manufactured capital) and client adoption of digital solutions that drive improved client experiences (social and relationship capital) with the need for direct human interaction (human capital).

Outcomes

Transactions performed on alternative channels

94% ↑ 1% YoY

Stable digital platforms – Service Uptime

99%

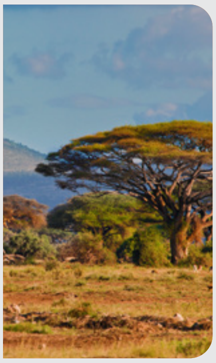
Net Promoter Score 59

Investments towards Social Impact Programs

TZS 2.4 billion

Tax Payments to Support Gov. Revenue Collection Efforts TZS 269 billion

- Continuous enhancements to policies including Environmental and Social Impact Management Policy to support transition towards net-carbon zero
- On-going enhancements to office facilities towards more energy efficient systems to support efforts to reduce carbon emissions.



Trade-offs

Investing in buildings and maintaining our infrastructure (manufactured capital) requires significant financial capital, and appropriate levels of human and intellectual capital, as well as certain natural capital inputs and outcomes. A key trade-off involves balancing the customer and regulatory needs for enhanced quality and improved services (social and relationship capital), with the need to generate the financial capital needed to support investments to enable business growth.

There is also a trade-off between increased automation of solutions (manufactured and intellectual capital) and client adoption of digital solutions that drive improved client experiences (social and relationship capital) with the need for direct human interaction (human capital).

Maintaining quality relationships across all stakeholders may require trade-offs in certain relationships as we balance various stakeholders' interests.

Using and impacting natural resources, which also sometimes negatively affects human and social capital, is a key trade-off for generating value across the other capitals. We are committed to minimizing the environmental impacts of our operations and activities, and to deliver positive environmental outcomes to society.

Performance at a Glance

Key Figures

TZS **414** bn
Profit before Tax
(2020: TZS 296 bn)

TZS **290** bn
Profit after Tax
(2020: TZS 206bn)

TZS **8.7** trn
Total Assets
(2020: TZS 7.1 trn)

TZS **6.6** trn
Customer Deposits
(2020: TZS 5.3 trn)

TZS **4.7** trn
Loans & Advances
(2020: TZS 4.1 trn)

Key Ratios

21%
Return on Equity
(2020: 18%)

46%
Cost to Income Ratio
(2020: 51%)

4%
Non-Performing Loan
(2020: 5%)

Multi-award winning bank
7 International Awards

Largest Taxpayer –
Financial Institutions

Customer Accounts +5 million

59 NPS Customer Satisfaction

3,482 Employees (2020: 3,465)

48% Staff Female Ratio

Market Share

Profitability 40%

Deposits 24%

Loans & Advances 23%

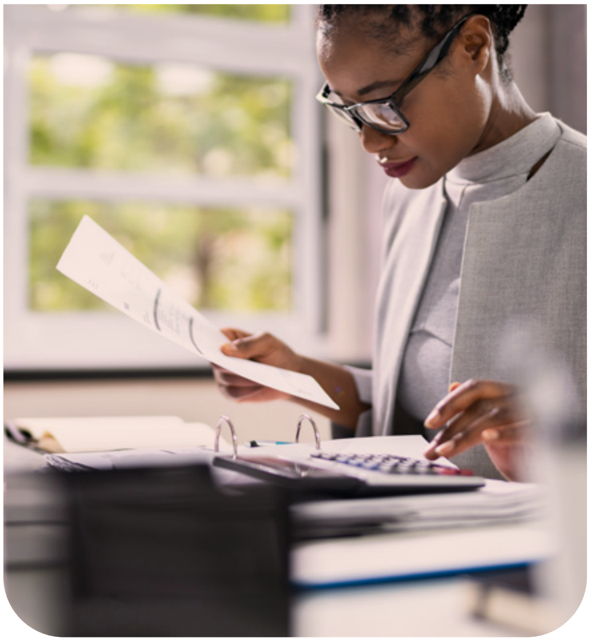
23.8%
Tier I Capital Ratio
(2020: 19.3%)

24.6%
Total Capital
(2020: 20.6%)

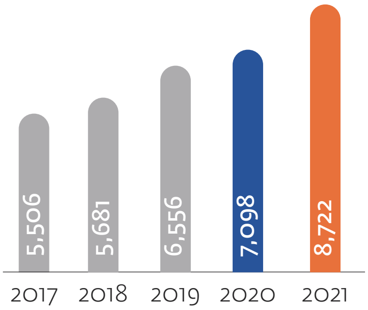
#1
Profitability & Market position

31%
Females in Leadership Positions

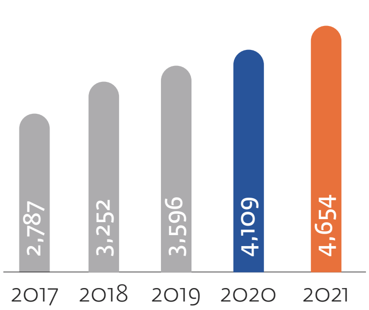
5 Year Performance Trend



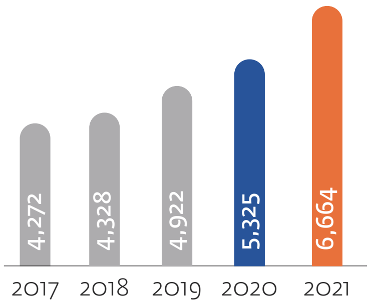
Total Assets



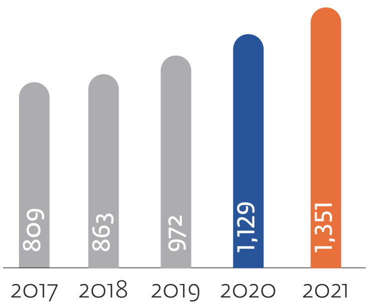
Loans & Advances



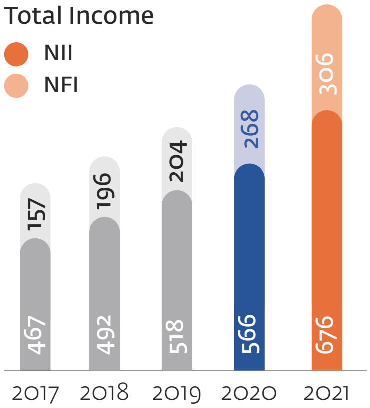
Customer Deposits



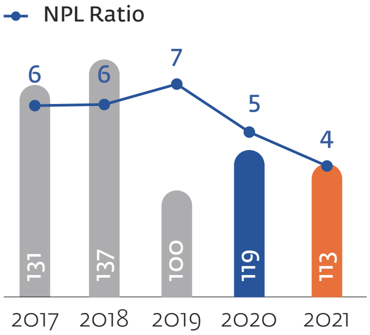
Shareholder Funds



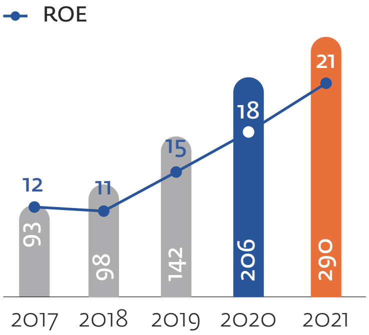
Total Income



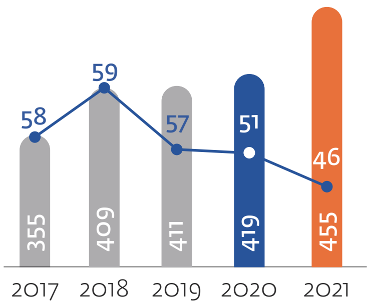
Total Impairment Charge & NPL ratio



PAT



OPEX

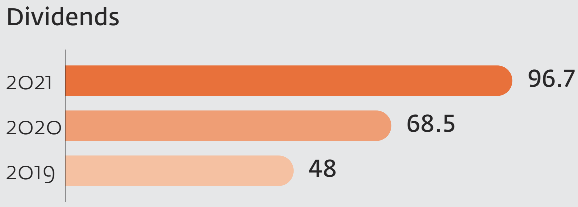


The Value We Impacted

For Our Shareholders

TZS **96.7** billion

Paid in dividends to equity shareholders, making a total of TZS 213 billion dividends in the past three years.



For Our Employees

TZS **187** billion (excl. SDL & PAYE)

Allocated towards employees, including spending on training and development.

To Government

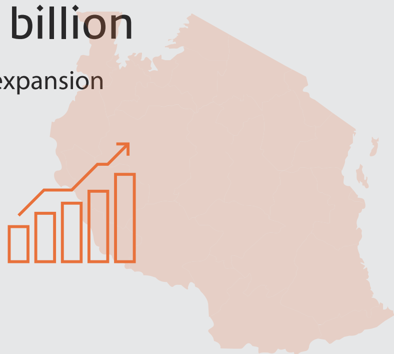
TZS **269** billion

Paid to the Government in taxes to support revenue collection efforts.

For Expansion and Growth

TZS **227** billion

Paid towards expansion and growth



Value Added Summary

	2021 TZS' Millions	2020 TZS' Millions
Value added		
Income earned by providing banking services	1,196,204	1,042,668
Interest expense paid to 3rd party funding	(32,803)	(32,736)
Other depositors	(106,428)	(114,586)
Fee and commission expense	(74,891)	(61,396)
Impairment	(113,129)	(119,312)
Total cost of banking service	(327,251)	(328,030)
Value added by banking services	868,953	714,638
Other operating income and expenditures	(89,763)	(100,269)
Value added from banking services	779,190	614,369
Value allocated		
To employees:		
Salaries and other benefits	186,673	159,955
To Shareholders:		
Dividend to other shareholders	65,921	46,730
Government	30,709	21,770
To government:		
Corporate Tax	123,701	89,941
PAYE	49,073	42,928
Skills development levy	7,934	7,291
Excise Duty	29,500	28,480
VAT on services	55,819	51,244
Other taxes	3,338	2,681
	269,364	222,565
To expansion and growth:		
Depreciation, deferred tax and retained earnings	226,523	163,349
	779,190	614,369

PERFORMANCE REVIEW

Dr. Edwin P. Mhede

Board Chairman

> *2021 was another year of strong performance for NMB Bank Plc., thanks to an effective strategy, an optimal leadership team, and a well engaged and committed employee base.*

Chairman's Statement

Sustainable Growth

Key Highlights:

Earnings per share	Dividend per share	Shareholder's Fund
TZS 580 ↑41% YoY	TZS 193 ↑41% YoY	TZS 1,351billion ↑20% YoY

I am pleased to report that 2021 was our third consecutive year of solid income and profitability growth. Albeit a challenging global operating landscape, we have continued to deliver superior and consistent returns for our shareholders.

- Income grew 18 percent YoY to TZS 982 billion
- Profit Before Tax increased 40 percent YoY to TZS 414 billion
- Profit After Tax increased by 41 percent YoY to TZS 290 billion
- Earnings per share were up 41 percent YoY to TZS 580

Over the past year, the bank's brand has emerged stronger as we reached key milestones in our journey towards fulfilling our strategic ambitions of being the preferred financial services partner that transforms the customers' experience and promotes financial inclusion and well-being, inspired by the stakeholders we serve. The Board is pleased with the sustainable growth and the momentum in our underlying businesses which have supported our ambitions of being a catalyst for broader socio-economic change. The Board is confident with the progress made along the bank's strategic journey and believes that the bank is well-positioned to deliver on its broader strategic ambitions, given the robust financial performance along with strong capital and liquidity levels.

Operating Context

As the world continued to adapt to the COVID-19 pandemic which persisted for a second year, global and regional economic recovery gained momentum, with recovery for developing economies unfolding at a faster pace compared to developed economies. After contracting by 3.3% in 2020, the global economy continued to recover in 2021, growing at 5.9%, supported by global vaccination rollout and a range of fiscal stimulus programs in developing economies which continued to enable the re-opening of borders and global trade. Sub-Saharan Africa's economic growth was robust, supported by higher commodity prices amidst a backdrop of continued global recovery, accommodative policies, and international support which have supported the resilience seen in Sub-Saharan economies.

In Tanzania, the economy grew 5.7%, with the GDP growth bolstered by strengthening private consumption and recovering exports as global restrictions continued to ease. Compared to regional peers, Tanzania's economic growth remained relatively strong in 2021, albeit continued impact of the global COVID-19 pandemic, with strong policy responses and strong macro-fundamentals sustaining the growth of the economy. Annual headline inflation increased slightly to 4.2 percent in December 2021 compared to 4.0 percent which was recorded in September 2021. Inflation remained within the 3-5 percent range in the full year of 2021 which is in line with EAC and SADC convergence criteria. Overall lending rates slightly decreased to an average of 16.4 percent in Q4 2021 down from 17.0 percent that was recorded in Q3 2021. Interest rates on deposits decreased by 103bps to an average of 6.71 percent in Q4 2021 from 7.74 percent recorded in Q3 2021.

In the wake of the pandemic, the Central Bank continued to take a series of accomodative policy measures to bolster the banking sector, including cutting the discount rate, and reducing the statutory minimum reserves (SMR) requirement to support the increase in market liquidity and to spur private sector credit growth. The private sector credit growth of 10% is by and large due to liquidity expansion in the economy on the back of strong fiscal and monetary policies. The sector is expected to continue to remain on its growth trajectory supported by policy, prudential and regulatory measures undertaken by the Bank of Tanzania towards improving the business environment and efficiency in financial services delivery.

Business performance in the banking industry has remained sound and resilient, with growing levels of profitability in the industry. The sector posted strong profitability results in 2021, with the top 10 large banks sharing a record net profit of TZS 715 billion. The strong Industry performance was driven by solid income growth, cost containment, and a decline in impairment provisions. Digital banking services also continued to expand, driven by increasing financial inclusion and mobile penetration rate.

Performance

Our organization continued to demonstrate resilience and agility in 2021 as the world continues to adapt to uncertainties in the wake of on-going global recovery. The Bank sustained its strong performance momentum by delivering a strong set of results and overall performance, reinforcing our stakeholders' confidence in the bank. The bank's profitability continued to go from strength-to-strength, delivering profit after tax of TZS 290 billion in 2021, up 41% YoY and setting another industry record. We also delivered a 21% shareholder return in 2021, up from 18% in 2020.

Our capital position remained very strong, with Tier I capital at 23.8% and Total Capital at 24.6% being significantly higher over regulatory requirements. The solid capital levels provide substantial buffers and a strong footing to support sustainable business growth ambitions. Our strong performance and strong capital position have enabled us to propose a total dividend per share of TZS 193 for the year 2021, an increase from the TZS 137 dividend per share for the year 2020.

The bank's performance is testament to the strength of the leadership team supported by a dedicated Executive Committee who remained ever-so-focused on ensuring continued disciplined execution of our strategy. The bank's employees across all levels of the organization also continue to respond and adjust with speed to enable exceptional service and performance delivery. The Board believes the Bank is well-positioned to continue delivering on its strategy, given our strong capital levels along with the robust, sustained strong performance momentum.

Sustainability

Our commitment to being a catalyst for sustainable, socio-economic change remains a key area of emphasis in our strategy. We recognize that our ability to create and preserve sustainable value for our stakeholders depends on our ability to positively impact our environment, societies, and communities in which we operate to enable them to thrive. We remain cognizant of our responsibility to continuously contribute towards leaving a positive and sustainable imprint in our societies and remain committed to playing a leadership role in fostering sustainable development for our stakeholders.

During the year, we continued to grow our commitment towards supporting key social impact programs in the areas of education, health, agriculture, the environment, and skills training to improve competitiveness and employability of key population segments including youth, entrepreneurs, women, and farmers.

We also enhanced our social impact model through launch of the NMB Foundation which seeks to broaden our impact to our communities and bolster our sustainability ambitions. Since our inception, we have always strived to be a more responsible bank, whose operations create a positive imprint in the society. We have continuously identified meaningful ways to address the most pressing challenges facing the communities in Tanzania, through CSR investments geared towards support in Education, Health, Environment and Agriculture Development. The establishment of the foundation is a testament of the Bank's evolving Corporate Social Responsibility journey and marks the creation of a fully-fledged developmental and strategic entity that is intended to drive social-economic transformation. The launch of the foundation also marked the beginning of our education scholarship programs which will offer a wonderful pathway to educational empowerment and offer mentorship opportunities to develop practical and in demand skills and further cultivate career ambitions of recipients. We believe that the scholarship and mentorship program will support to ensure that an excellent education is more accessible to those who would otherwise face seemingly insurmountable economic barriers.

The Board remains committed to supporting Management towards aligning our operations with our sustainability ambitions to ensure effective and efficient on-going transition.

The Board

In an evolving business context, the diversity of the Board remains paramount in forging a holistic approach to advancing transformation across the organization. In 2021, as part of the ongoing process of maintaining the Board's strength, we were delighted to welcome Benson Mahenya as independent non-executive director. Benson's career spans over 27 years and he brings extensive experience in auditing, banking, finance, management, and accounting. We were also pleased to welcome Theresia Paschal, who brings a wealth of auditing experience to the Board, as non-executive director.

Margaret Ikongo and Mathias Magwanya retired from the Board at the 2021 Annual General Meeting. They have contributed tremendously to the Board and played a vital role in every aspect of our Board, providing invaluable insights into many of our deliberations. They both have exhibited the highest levels of skill and diligence and given generously of their time. We thank them for their valuable contributions as board members and wish them well.

Integrity must define our leadership, and as Board, we commit to upholding the highest standards of corporate governance which we believe is key to ensuring that the organization creates and preserves value for all our stakeholders, both right now and into the long-term future. We remain mindful of the broad and long-term impact of the bank's decisions, and we attentively listen to our stakeholders to ensure that all our stakeholders' current and long-term interests are taken fully into account. Guided by these principles, the board considered a wide range of governance matters during the year. Read more about these starting on page 102.

Conclusion and Outlook

I am proud of the work we have done over the past year and the Bank's resilience over this time as we continue to transform our business to sustain our ambitions of being the leading financial institution and a strong catalyst for sustainable socio-economic change. As we continue to navigate through uncertain times, I am confident that we will appropriately respond to the current challenges and continue to evolve towards a more agile and resilient organization. We will continue to exercise good-governance to ensure sustainable value-creation for our stakeholders.

Amidst a rapidly evolving competitive environment and continued strong domestic recovery as the economy continues to benefit from the ongoing Government COVID-19 economic recovery plan, our aspirations remain to be the leading bank in the market. Through disciplined execution of our key strategic pillars and optimized investments in technology to enhance efficiency and productivity, we aim to continue providing the best propositions for our customers, expand financial inclusion by widening access to affordable financial services, and continue supporting key national development priorities for the country, including aligning our capabilities to support key sectors of economic growth. We are always exploring viable opportunities for further growth and expansion, within our market and beyond our borders, and regularly assess the opportunities to determine best-fit in line with our strategic ambitions. We are confident that the bank will continue to withstand the challenges that may arise and we remain committed to ensuring we provide excellent customer experience through products and services that address our customers' needs and delivering strong outcomes for all our stakeholders. Management and the Board will continue to closely monitor developments and remain mindful of the evolving global conditions while pursuing our growth strategy.

To conclude, I wish to extend my sincere gratitude and thanks to all our stakeholders for continuing to place their confidence in our organization. The Board is very grateful to the Bank of Tanzania for continued support, guidance, and positive engagements with the bank and the broader financial sector in promoting stability and soundness of the financial sector and the economy, and the Government of the United Republic of Tanzania for support and cooperation. My thanks go to all our board members - I am honored to serve with some of the best minds in the business. Finally, I extend my utmost appreciation to our employees across the bank for their commitment and to our loyal clients and investors.

Dr. Edwin P. Mhede
Board Chairman

Our Operating Environment

Population	GDP	Inflation	Growth of Credit to Private Sector
59million	5.7%	4.2%	10%

Social and Political context

Reputed for its stability in the region, Tanzania has undergone impressive political and economic developments and improvements in social welfare in recent years. The country has achieved significant milestones over the last two decades, including transitioning to a middle-income country five years ahead of schedule.

Politically, Tanzania remains a stable and democratic country, led by Her Excellency, President Samia Suluhu Hassan who was sworn in on March 19, 2021, as the United Republic of Tanzania, following the demise of the late President Dr. John Joseph Magufuli on March 17, 2021. President Samia Suluhu Hassan was the Vice President of the Fifth Phase government from October 2015. The new administration has maintained continuity of the political agenda while adjusting its policies and programs to reflect an evolving social and economic context.

Economic outlook

With an average real GDP growth rate of 7 percent over the past decade (2010-2019), Tanzanian is among the fastest-growing economies in Africa and in the world. According to the IMF, the real GDP of Tanzania grew by 4.7 percent in 2020, negatively impacted by the global COVID-19 pandemic. Prudential Government policy responses, strong macro-economic fundamentals and on-going global economic recovery, bolstered Tanzania's GDP growth to 5.7 percent in 2021.

Banking sector overview

In 2021, the Tanzanian Banking Sector remained sound and well capitalized. The sector posted strong profitability results, with the top 10 large banks sharing a record net profit of TZS 715 billion. The strong Industry performance was driven by solid income growth, cost containment, and a decline in impairment provisions.

Supported by growing demand for digital banking services and a positive operating business environment the sector is expected to continue to remain on its growth trajectory in the years to come.

Dkt. Edwin P. Mhede

Mwenyekiti wa Bodi

> *Mwaka 2021 ulikuwa mwaka mwingine ambao Benki ya NMB ilipata mafanikio makubwa... shukurani kwa mipango sahihi, menejimenti imara na wafanyakazi hodari walioshiriki kufanikisha malengo yaliyowekwa.*

Taarifa ya Mwenyekiti

Ukuaji Endelevu

Taarifa Muhimu:

Pato kwa kila hisa moja	Gawio kwa kila hisa moja	Mtaji wa Wanahisa
TZS 580 ↑41% YoY	TZS 193 ↑41% YoY	TZS bilioni 1,351 ↑20% YoY

Ninayo furaha kutaarifu kwamba mwaka 2021 umekuwa ni mwaka wa tatu mfululizo kwa benki yetu kuonyesha ukuaji mkubwa. Licha ya changamoto za mazingira ya kufanya biashara duniani, tumeendelea kupata matokeo bora zaidi na faida endelevu kwa ajili ya wanahisa wetu. Kwa mwaka 2021:

- Mapato yaliongezeka kwa asilimia 18 na kufika shilingi bilioni 982
- Faida Kabla ya Kodi ilikua kwa asilimia 40 kwa mwaka na kufika shilingi bilioni 414
- Faida Baada ya Kodi iliongezeka kwa asilimia 41 kwa mwaka na kufika shilingi bilioni 290
- Pato kwa kila hisa moja liliongezeka kwa asilimia 41 na kufika shilingi 580

Kwa ujumla, mwaka 2021 benki iliimarika zaidi kutokana na mafanikio tuliyoyapata wakati tukitekeleza mpango mkakati wetu kwa dhamira ya kuwa mbia bora zaidi wa huduma za fedha anayekidhi mahitaji ya mteja na kuhimiza ujumuishaji wa wananchi kwenye huduma za fedha na kuboresha maisha. Bodi inaridhishwa na ukuaji endelevu pamoja na kasi ya utekelezaji wa majukumu yetu unaosaidia kuifanikisha dhima yetu ya kuwa kitovu cha maendeleo ya kiuchumi na kijamii. Bodi inayo imani kubwa juu ya hatua zilizochukuliwa katika mkakati wa hufanikisha malengo ya benki na inaamini kuwa benki iko vizuri kufanikisha malengo mengi iliyojiwekea kutokana na mtaji na ukwasi wa kutosha na faida iliyopata.

Mazingira ya Biashara

Wakati dunia ikiendelea kukabiliana na athari za janga la UVIKO-19 kwa miaka miwili mfululizo, ukuaji wa uchumi umeanza kuonekana, huku kasi ya ukuaji ikionekana zaidi kwa nchi zinazoendelea ukilinganisha na mataifa yaliyoendelea. Baada ya kasi ya ukuaji kupungua mpaka asilimia 3.3 mwaka 2020, uchumi wa dunia umeendelea kuimarika ambapo mwaka 2021 ulikua kwa asilimia 5.9. Ukuaji huu ulichangiwa na kampeni ya kutoa chanjo ya UVIKO-19 duniani kote pamoja na hatua za kisera zilizochukuliwa kwenye mataifa yanayoendelea, hivyo kufungua mipaka na kuongeza fursa za biashara. Ukuaji wa uchumi Kusini mwa Jangwa la Sahara ulikuwa mzuri ukichangiwa na kuimarika kwa bei za bidhaa wakati shughuli za kiuchumi zikiimarika, sera rafiki na uwezeshaji wa kimataifa zilishuhudiwa katika mataifa mengi.

Kwa Tanzania, uchumi ulikua kwa asilimia 5.7 huku ukichangiwa na kuimarika kwa matumizi na kulegezwa kwa masharti ya kusafirisha bidhaa duniani. Ikilinganishwa na majirani zake, ukuaji wa uchumi wa Tanzania ulikuwa imara zaidi mwaka 2021 licha ya athari za janga la UVIKO-19 kutokana na hatua sahihi za kisera zilizochukuliwa na mikakati ya kuwawezesha wafanyabiashara wadogo hivyo kuchangia kukuza uchumi. Mfumuko wa bei kwa mwaka uliongezeka kidogo na kufika asilimia 4.2 Disemba 2021 ukilinganishwa na asilimia 4.0 wa Septemba 2021. Mfumuko wa bei uliendelea kuwa ndani ya malengo ya Jumuiya ya Afrika Mashariki (EAC) na Jumuiya ya Maendeleo Kusini mwa Afrika (SADC) ya kati ya asilimia 3-5 kwa mwaka mzima. Riba ya mikopo ilishuka kidogo mpaka wastani wa asilimia 16.4 katika robo ya nne mwaka 2021 kutoka asilimia 17.0 iliyokuwepo kwenye robo ya tatu mwaka 2021. Riba kwenye amana za wateja ilipungua mpaka asilimia 6.71 katika robo ya nne mwaka 2021 kutoka wastani wa asilimia 7.74 ya robo ya tatu mwaka 2021.

Katika kukabiliana na athari za janga la UVIKO-19, Benki Kuu ya Tanzania ilichukua hatua kadhaa ili kuilinda sekta ya benki ikiwemo kupunguza riba, kushusha kiwango cha akiba kinachotakiwa kutunzwa Benki Kuu ili kuongeza ukwasi sokoni na kuongeza mikopo kwa sekta binafsi. Ongezeko la mikopo ya sekta binafsi kwa asilimia 10 limechangiwa zaidi na uwapo wa ukwasi wa kutosha kwenye uchumi kutokana na hatua makini za kisera zilizochukuliwa na Serikali kupitia Benki Kuu. Sekta ya kibenki inatarajiwa kuendelea kukua kwa kuwekewa sera rafiki, hatua makini na tahadhari zinazochukuliwa na Benki Kuu ya Tanzania kuboresha mazingira ya biashara na kuongeza ufanisi wa utoaji huduma za fedha.

Ufanisi wa sekta ya benki umeendelea kuwa mkubwa huku faida ikiendelea kukua. Sekta ilipata faida mwaka 2021 huku benki 10 kubwa zaidi zikigawana faida kubwa kuwahi kutokea kiasi cha shilingi bilioni 715. Ufanisi huo mkubwa wa sekta ya benki ulichangiwa na ongezeko la mapato, kupungua kwa gharama za uendeshaji na kushuka kwa tengo la mikopo chechefu. Huduma za benki kidijitali ziliendelea kuimarika zikichangiwa na ongezeko la simu za mkononi nchini.

Utendaji wa Benki Yetu

Benki yetu iliendelea kuwa imara mwaka 2021 ulioshuhudia dunia ikiendelea kupambana na athari za janga la UVIKO-19. Benki ilifanya vizuri hivyo kuongeza imani ya wanahisa wetu. Faida ya benki iliendelea kuongezeka mwaka hadi mwaka na kufika shilingi bilioni 290 mwaka 2021 (shilingi 206 mwaka 2020) sawa na ongezeko la asilimia 41 hivyo kuweka rekodi ya kupata faida kubwa katika sekta ya benki. Faida kwa wanahisa wetu iliongezeka mpaka asilimia 21 mwaka 2021 kutoka asilimia 18 ya mwaka 2020.

Mtaji wetu uliendelea kuwa imara huku uwiano wa mtaji wa msingi ukiwa 23.8% na uwiano wa Mtaji wa Jumla ukiwa asilimia 24.6 ambao ni juu ya matakwa ya kisheria. Uimara wa mtaji unatupa usalama na uhakika wa kuendelea kutekeleza mikakati yetu. Ufanisi wetu imara na mtaji mkubwa umetupa ujasiri wa kupendekeza gawio la shilingi 193 kwa mwaka 2021 ambalo ni ongezeko la asilimia 41 ukilinganisha na shilingi 137 tuliyolipa mwaka 2020.

Mafanikio haya ya benki ni uthibitisho wa uimara na ukubwa wetu sokoni unaotokana na menejimenti nzuri inayosimamiwa na Bodi ya Wakurugenzi kuhakikisha kunakuwa na nidhamu wakati wote wa kutekeleza mikakati yetu. Wafanyakazi katika idara zote za benki pia walitekeleza majukumu yao kwa kasi inayotakiwa kutoa huduma bora kwa wateja. Bodi inaamini benki iko salama na inao uwezo wa kutosha kuendelea kutoa huduma bora, kufanikisha mipango yake kutokana na mtaji na rasilimali watu mahiri ilionao.

Uendelevu

Kujitoa kwetu kuwa kichocheo cha mabadiliko endelevu ya kijamii na kiuchumi kunaendelea kuwa kipaumbele chetu katika utekelezaji wa mipango yetu. Tunatambua kwamba uwezo wa kuongeza na kuendeleza thamani kwa wadau wetu unategemea utayari wetu wa kuyabadili mazingira tunayofanyia biashara na jamii tunayoihudumia kuiwezesha kufanikisha malengo yake. Bado tunalitambua jukumu letu la kuacha alama kwenye jamii tukiendelea kufanikisha utimizaji wa maendeleo endelevu kwa wadau wetu.

Katika mwaka 2021, tuliendelea kujitoa kufanikisha miradi kadhaa ya kijamii katika sekta ya elimu, afya, kilimo, mazingira na kutoa mafunzo ya kitaaluma ili kuongeza ushindani wetu na kufanikisha kutoa ajira kwa vijana, wajasiriamali, wanawake na wakulima.

Tuliimarisha zaidi namna ya kufikisha mchango wetu kwa jamii kwa kuzindua Taasisi ya NMB Foundation inayolenga kutanua wigo wa jamii tunayoshirikiana nayo kutatua changamoto zilizopo hivyo kuchochea ufanikishaji wa malengo kwa maslahi mapana ya Jamii. Tangu kuanzishwa kwa Benki yetu, wakati wote tumeendelea kuhakikisha tunakuwa benki inayowajibika, ambayo shughuli zake zinaacha alama chanya kwa jamii. Kila mara tumekuwa tukitafuta namna mwafaka wa kutafuta suluhu kwa changamoto zinazojitokeza na kuwakabili watu wanaotoka katika jamii zenye uhitaji zaidi kupitia Idara yetu ya Kusaidia Jamii. Kuanzishwa kwa taasisi ya NMB Foundation ni uthibitisho wa kuboreka kwa mtazamo wa benki kujitoa kwa jamii na kuweka msingi wa kuanzishwa kwa taasisi ya kimkakati ya maendeleo inayolenga kuchangia mabadiliko ya kijamii na kiuchumi kwa kushirikiana na wadau wengine wa maendeleo. Uzinduzi wa taasisi hii pia uliashiria mwanzo wa kuanza kutekeleza programu yetu ya ufadhili wa masomo na mafunzo kwa vitendo kwa taaluma zinazohitajika sokoni na kukuza vijana wenye maono ya muda mrefu kuendeleza fani zao. Tunaamini ufadhili huu wa masomo pamoja na programu ya mafunzo kwa vitendo itasaidia kuhakikisha upatikanaji wa elimu bora hasa kwa wale vijana wanaotoka katika mazingira yenye changamoto nyingi.

Bodi itaendelea kujitoa kuisaidia menejimenti kuweka mipango na mikakati yake sambamba na malengo yetu uendelevu kuhakikisha kunakuwa na mwendelezo makini wa kurithisha.

Bodi

Katika mazingira ya biashara yanayobadilika, mchanganyiko wa wajumbe wenye ujuzi tofauti wa Bodi unahitajika kufanikisha maboresho ndani ya taasisi. Mwaka 2021, licha ya mkakati wa kuendeleza uimara wa Bodi, tulifurahi kumkaribisha Benson Mahenya kwenye Bodi yetu kama mkurugenzi huru. Benson ana uzoefu zaidi ya miaka 27 kwenye ukaguzi wa hesabu za fedha, uhasibu, benki, fedha na menejimenti. Vilevile, tulifurahi kumkaribisha Theresia Paschal kwenye Bodi yetu kama mkurugenzi anayeiwakilisha Serikali ambayo ni mwanahisa. Mkurugenzi Theresia analeta uzoefu mkubwa kutoka kwenye ukaguzi wa hesabu za fedha pia kama mkurugenzi asiye mtendaji.

Wakurugenzi Margaret Ikongo na Mathias Magwanya walistaafu ujumbe wa bodi kwenye Mkutano Mkuu wa mwaka 2021. Katika kipindi cha ujumbe wao, walitoa mchango mkubwa sana katika masuala mbalimbali yaliyosimamiwa na Bodi, wakitoa maoni na maelekezo kila ilipobidi. Wakurugenze wastaafu hawa walionyesha na kudhihirisha kiwango kikubwa cha uwajibikaji, wakitumia muda wao mwingi kufanikisha shughuli za Bodi. Tunawashukuru kwa mchango wao kwa kipindi chote walichohudumu wakiwa wajumbe wa Bodi na tunawatakia kila la kheri.

Utawala bora ndio sifa ya uongozi wetu. Kama Bodi tunasisitiza uwajibikaji wa hali ya juu katika utawala wa kampuni tunaoamini ni muhimu kuhakikisha taasisi inaongeza thamani kwa wadau wake wote waliopo sasa na hata watakaojitokeza hapo baadaye. Tunaendelea kutambua manufaa na madhara ya uamuzi wowote unaofanywa na benki na tunawasikiliza wadau wetu kuhakikisha kuwa malengo yao ya muda wa kati na muda mrefu yanazingatiwa. Tukiongozwa na kanuni hizi, Bodi ilizingatia masuala kadhaa ya kiutawala katika mwaka 2021. Soma zaidi kuhusu hatua hizo kuanzia ukurasa wa 102 kwenye ripoti hii.

Hitimisho na Matarajio

Nafarijika kwa kazi nzuri tuliyoifanya mwaka 2021 na umahiri wa Benki katika kipindi chote tunachoendelea kuboresha biashara kuendana na matarajio yetu ya kuwa benki inayoongoza Tanzania na kichocheo cha maendeleo ya kijamii na kiuchumi. Kadri tunavyopitia mazingira magumu, ninaamini tutazivuka salama changamoto tunazokabiliana nazo na kuwa taasisi imara na yenye mafanikio makubwa ndani na nje ya nchi. Tutaendelea kusimamia utawala bora kuhakikisha tunakuwa na huduma endelevu na kuongeza thamani kwa wadau wetu.

Katikati ya mazingira yenye ushindani mkubwa wa kibiashara sambamba na kutengemaa kwa shughuli za uchumi wa ndani kutokana na mkakati wa Serikali kukabiliana na janga la UVIKO-19, malengo yetu yanaendelea kubaki kuwa benki inayoongoza Tanzania. Kwa nidhamu kubwa ya utekelezaji wa malengo yetu ya kipaumbele na uwekezaji tunaoufanya kwenye teknolojia ili kuongeza ufanisi na tija, tunatarajia kuendelea kutoa huduma bora zaidi huku tukishiriki kufanikisha utekelezaji wa miradi ya kimkakati ya Taifa letu ikiwamo kuweka mipango yetu na kuielekeza kwenye sekta zinazokua zaidi kiuchumi. Mara zote tumekuwa tukijiweka tayari kuchangamkia fursa za kukua zaidi na kutanuka iwe ndani ya soko au nje ya mipaka ya nchi baada ya kutathmini fursa kulingana na malengo yetu. Tunaamini Benki itaendelea kuzikabili changamoto zinazojitokeza na tunaahidi kwamba tutaendelea kutoa huduma bora zinazokidhi matarajio ya wateja na kukidhi malengo yao kwa kuendelea kubuni huduma na bidhaa zinazomtanguliza mteja, hivyo kuendelea kupata matokeo chanya kwa wadau wetu. Menejimenti na Bodi wataendelea kufuatilia mienendo na mabadiliko yanayotokea katika mazingira yetu na hata duniani wakati tukitimiza mikakati yetu ya kukua zaidi.

Kwa kuhitimisha, napenda kuwashukuru wadau wetu kwa kuendelea kutuamini. Bodi inaishukuru Benki Kuu ya Tanzania kwa ushirikiano inaotupa, miongozo makini na ushirikishaji wanaotufanyia sekta nzima ya fedha kwa ujumla kuhakikisha sekta inaendelea kuwa imara. Napenda pia kuishukuru Serikali ya Jamhuri ya Muungano wa Tanzania kwa kuendelea kuweka mazingira mazuri na wezeshi ya kibiashara.

Shukrani zangu za dhati pia ziende kwa wajumbe wenzangu wa Bodi. Ni heshima kubwa kufanya kazi na watu wenye uzoefu mkubwa kwenye biashara hii. Mwisho natoa shukrani kwa wafanyakazi wote wa Benki kwani kujituma na kujitoa kwao ndiko kulikofanikisha matunda tuliyoyapata na bila kuwasahau wawekezaji na wateja wetu wanaoendelea kutuamini.

Dkt. Edwin P. Mhede
Mwenyekiti wa Bodi

Ruth Zaipuna
Chief Executive Officer

> *Our solid results, highlight sustainable performance momentum and good progress along our strategic journey.*
>
> *We are well positioned to continue to deliver superior results and deepen our impact to our key stakeholders.*

Chief Executive Officer's Statement

Sustained strong outcomes for shareholders, clients, and our stakeholders.

Key Highlights:

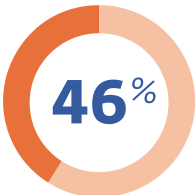
Profit Before Tax

TZS **414** billion ↑ **40%** YoY

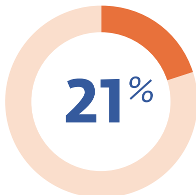
Profit After Tax

TZS **290** billion ↑ **41%** YoY

Cost-to-Income Ratio



Return on Equity



Overview

Our strong performance in 2021 gives us further confidence in the strategic direction we have embarked on, having refreshed our medium-term-plan in 2020. As the world continues to adapt to the fast-evolving and complex global operating environment, we navigated the period with resilience to produce another set of superior, record-setting results in the year.

We continued to execute our strategy with rigor, with our persistent focus translating to good gains across key objectives, enabling us to meet evolving customer expectations through a digitally empowered business, support the well-being and growth of employees to enhance the capabilities and diversity of our workforce, and deliver strong value creation - beyond financial performance - for our stakeholders, as we remain committed to our intent of supporting broader socio-economic development by contributing meaningfully to society.

Our strong performance momentum has put us on firmer ground and positions us well to unlock future growth opportunities.

Industry Developments

Two years since the emergence of the COVID-19 pandemic, the global economy continues to adapt and recover from the impact of the pandemic amidst newly emerging and fast-changing geo-political forces. During the year, Tanzania's banking sector remained stable and resilient. The average commercial banks' liquidity and capital adequacy ratios remained strong above the statutory requirements. Banking sector profitability grew and with asset quality improving. The banking industry Profit Before Tax (PBT) grew 48% YoY, with consolidated PBT reaching the TZS 1 trillion mark. The growth was on the back of an increase in total income by 10% YoY and contained operating expenses as industry CIR dropped to 62%.

Industry Total Assets was TZS 38.7 trillion, up 24% YoY, driven by Investment in Government Securities which increased 39% YoY, Loans & Advances (up 21% YoY), and Customer Deposits (up 25% YoY). Industry NPL Ratio has continued to improve to 6.7% while overall Industry ROE and ROA stood at 13% and 2% respectively. Private sector credit growth remained resilient, supported by recovery in economic activities, the accommodative monetary policy stance and the Bank of Tanzania window for lending to Agriculture. The 12-month growth in private sector credit was 10 percent in December 2021 compared to 3% in 2020. The sector also continued to expand its outreach especially through digital channels and agents to deepen financial inclusion.

Consistently delivering strong performance

The bank delivered outstanding performance during the year. Having worked hard to secure our foundations, we leveraged our strong fundamentals to accelerate our growth and fortify our capital position, with sustained balance sheet growth, strong total revenue performance, and further efficiency gains resulting in strong profitability. Delivering against our key objectives in the year contributed to strong financial performance and enabled us to build a solid platform to support future ambitions.

The balance sheet recorded strong 23% YoY growth to TZS 8.7 trillion in 2021, as we helped more and more of our customers to pursue their ambitions. While our balance sheet grew at pace, we remained watchful over asset quality, with the NPL ratio closing at 4% in 2021, within the regulatory threshold of 5%. We enhanced our value propositions and launched new products and services that provide a better experience for our customers while enabling us to remain fully focused on addressing their needs. Customer deposits grew 25% YoY to TZS 6.6 trillion, with strong growth across all businesses. We maintained good liquidity and our capital base remains strong, with Tier I Capital Ratio at 23.8% and Total Capital Ratio at 24.6%.

Total income increased 18% YoY to TZS 982 billion. Our cost-efficiency programs continued to drive further efficiency gains, with the cost-to-income ratio further improving to 46% in 2021, within the regulatory threshold of 55%. The efficiency gains create further capacity for us to invest optimally in areas that reinforce the bank's competitive advantages, improve the customer experience, and drive further efficiencies. We delivered profit before tax of TZS 414 billion, up 40% YoY, and profit after tax of TZS 290 billion, up 41% YoY, cementing our market leadership position.

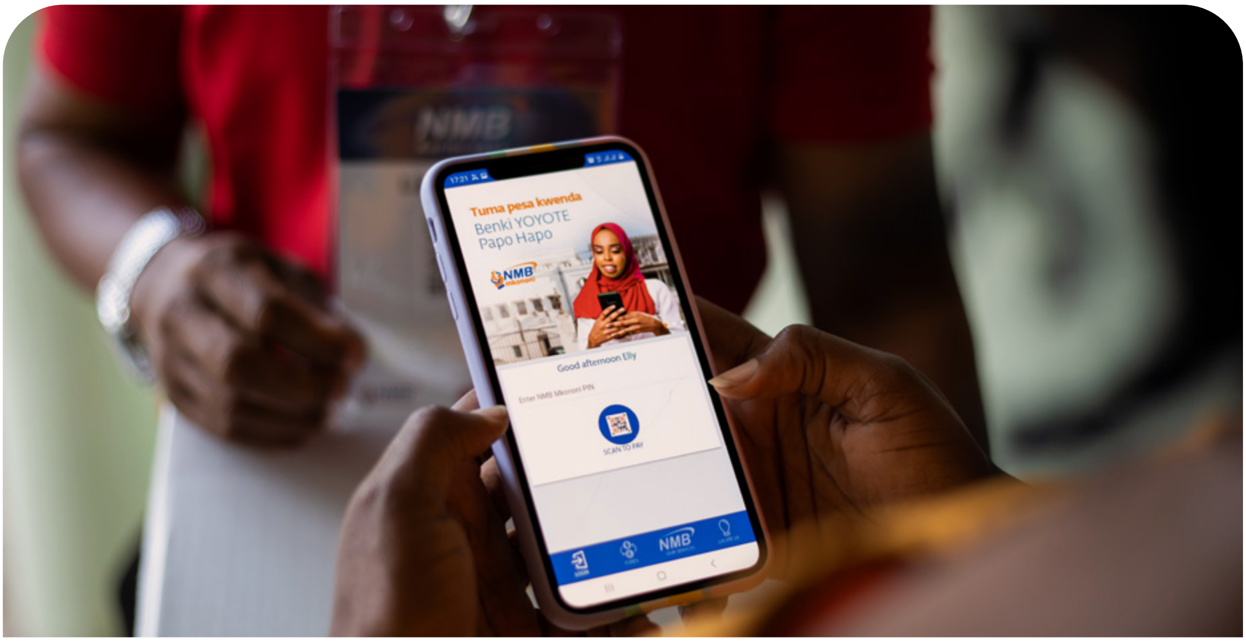
Strategy Review

The NMB Bank brand has become a household name across the country, with our rich heritage and deep presence helping to deliver continued positive outcomes and value creation for our stakeholders.

The bank's strong performance in the first year of our refreshed medium-term plan affirms the direction we've chosen to pursue, as we continue to see good progress across key pillars.

Winning Propositions through digitally enabled solutions

We continued our deliberate focus on getting closer to our clients and customers to address their unique needs and enable them to fulfill their ambitions. Our efforts in placing our customers at the heart



of everything we do continues to bear fruit, as our customer base grew to over 5 million accounts with continued strong momentum across our businesses.

To enhance the overall customer experience, we focused on digitaly enabling our customers by leveraging our strong digital capabilities to improve our ways of working so that we could be faster and orientated for customer growth by delivering customized offerings, driving further efficiency gains, and widening access to affordable and reliable banking services.

Our investments in innovative delivery channels continue to play a critical role in widening financial inclusion. During the year, we continued to enhance NMB Mkononi, our mobile banking platform, to make it simpler and safer for our customers. The channel continues to see good growth in the number of users year on year and has continued to reach many customers who would have remained unbanked.

Being at the forefront of widening financial inclusion, we continued to scale our agency banking footprint to broaden access to financial services in the country, closing the year with 10,194 agents across the country. Our agency banking outlets also create business opportunities for services providers, allowing them to create incomes and employment where it is most needed.

Our widely recognized range of card-based payment solutions, including debit cards, credit cards, pre-paid cards, and QR codes, continue to see good growth, enabling cash-free payment solutions to drive digital inclusion. We forged new partnerships with various merchants to support our customers through card discounts, including with hotels, restaurants, gas stations, consumer goods stores, among a host of other merchants. We also continued to improve NMB Direct, our internet banking platform, to enhance the overall customer experience through a secure, feature rich platform. The platform continues to see good growth year on year in the number of users.

The significant digital investments we continue to make have helped to ease access to stable, reliable, and safe banking services. As a result of our efforts, we have seen strong adoption of digital offerings, with 94% of all transactions done in NMB performed on alternative channels, outside the traditional brick and mortar branches. The strong digital adoption translates to lower cost-to-serve customers, enabling us to transfer efficiencies towards further investments in digital to widen financial inclusion in the country.

We maintained our focus on developing relevant solutions for our customers by continuing to closely engage with them to listen and understand their unique needs. As a result, in 2021, we launched several value propositions including Go na NMB - our Youth Proposition, Group Funeral Cover, Ushirika

Afya, Jahazi insurance, and Spend 2 Save, which helps to support efforts towards the country's broader financial inclusion agenda. Bancassurance also continued to make good strides during the year.

We will continue to explore and pursue opportunities for further digitization and automation to enable the bank to be efficient in its service delivery. We constantly engage with our customers and gather their views, including via surveys, to understand their current and evolving needs to be able to address their needs through relevant solutions. We remain committed to further developing innovative solutions to scale and widen access to financial services.

Creating value beyond financial service

Over and above the execution of our key 2021 strategic priorities, we have a clear focus on playing a leading role in contributing meaningfully to sustainability and to our society's prosperity, recognizing that our success is linked to the prosperity of our communities and stakeholders. The bank's strong business growth and financial performance is critical in supporting our mission of being a vehicle of social and economic development in Tanzania.

During the year, we launched the first ever sandbox environment to inspire local startups to develop relevant digital innovations and build a more digitally inclusive society. The Sandbox platform enables us to collaborate with strong partners and Fintech collaborators and nurture the right solutions to drive a digital economy. We have continued to heavily invest in various social impact programmes by setting aside 1% of the bank's profit after tax, every year. In 2021 we spent over TZS 2 billion towards various social impact initiatives in Education, Health, Financial Literacy, and the Environment. We also contributed meaningfully towards supporting women to pursue their ambitions by raising over TZS 400 million in funds towards supporting Fistula treatment for women through the "Mwendo wa Upendo" marathon. To further demonstrate our commitment towards sustainable development, we established the NMB Foundation, a revamped CSR model which seeks to broaden impact to society through collaboration with key stakeholders. We believe that our Corporate Social Investment efforts under NMB Foundation will go a long way towards championing socio-economic prosperity for low-income people in Tanzania and driving positive outcomes for society.

Our focus and contribution in the agriculture sector continued during the year, whereby we were the first bank to set aside a special agriculture fund of TZS 100 billion for lending in the agriculture value chain at interest rates not exceeding 10%. We believe that our efforts will go a long way in supporting the broader growth and development of this key economic sector as we continue to look at ways to contribute meaningfully.

In line with our sustainable growth, the Bank's Tax payment to the Government has consistently grown, reflecting increased overall value creation from a tax perspective. In 2021, the Bank was recognized by the Tanzania Revenue Authority (TRA) as the first large Taxpayer in the Financial Institutions Category, and 3rd biggest Taxpayer in the Country.

Our People

Our staff are our most important asset as they are fundamental to the delivery of our strategic ambitions. We continued to closely engage our employees to provide an enabling environment where our people could thrive and fulfill their ambitions. We made good strides in the cultural transformation program, having reached key milestones in the program since its launch in 2020. The good progress we have made in the program has helped us to enhance our ways of working, improve productivity, and continue to bolster our team by building a strong leadership pipeline and deep talent pool. Our employee engagement score improved to 75% from 71% in the previous survey. We continue to work hard to unlock opportunities in line with feedback received from the Employee Opinion surveys to further grow our people and provide an enabling environment. We will continue investing in our staff to ensure a healthy pipeline of leaders for the future and advance our people agenda through skills building. We remain committed to fostering an inclusive and diverse workplace to serve our stakeholders.

Outlook

To conclude, I am profoundly proud and humbled by what we have achieved in 2021 in creating value for our stakeholders. The significant progress we have made in the year would not have been possible without the hard work and dedication of our talented and passionate team. I would like to thank all of our employees for their continued commitment in serving our stakeholders and driving our ambitions. I am grateful to the Board for their invaluable guidance, counsel, and leadership and also wish to thank our valued customers, partners, investors, and our communities for their continued confidence in the bank. I thank the Bank of Tanzania for a continued accommodative monetary policy and support to the banking sector in Tanzania.

While the strong results we achieved in 2021 reflect good progress along our strategic ambitions, we are focused on the journey that lays ahead and remain confident that we will navigate the complex global-operating environment with resilience. Looking to the future, the bank will continue to focus on unlocking its potential and utilizing its strong fundamentals to create more value and shared prosperity for our stakeholders. We look forward to serving you in 2022 and beyond!

Ruth Zaipuna
Chief Executive Officer

Ruth Zaipuna
Afisa Mtendaji Mkuu

> “ *Mafanikio makubwa ya kiutendaji kwa mwaka 2021 ni kielelezo cha ufanisi mzuri uliotokana na utekelezaji makini wa mikakati yetu.*
>
> *Tumejiwekea misingi imara itakayo endelea kutuwezesha kuwa kinara wa ufanisi na kuongeza tija kwa wadau wetu.*

Taarifa ya Afisa Mtendaji Mkuu

Matokeo mazuri na endelevu ya utendaji kwa wanahisa, wateja na wadau wetu.

Taarifa Muhimu:

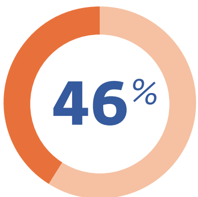
Faida Kabla ya Kodi

TZS bilioni **414** ↑40% YoY

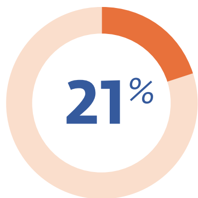
Faida Baada ya Kodi

TZS bilioni **290** ↑41% YoY

Uwiano wa Gharama za uendeshaji na Mapato



Uwiano wa Faida na Fedha za wanahisa



Muhtasari

Matokeo mazuri tuliyoyapata mwaka 2021 yanatufanya tujiamini zaidi kuhusu uelekeo tuliouchagua baada ya kuuhuisha mpango wetu wa muda wa kati mwaka 2020. Kadri tunavyoendelea kukabiliana na mazingira ya biashara yanayobadilika kwa kasi kubwa, tumejipanga kwa umakini kupata matokeo mengine mazuri yatakayoendeleza rekodi yetu sokoni.

Tunaendelea kutekeleza mikakati yetu kwa umakini mkubwa, tukilenga kupata mafanikio katika kila malengo tunayoweka kwa kukidhi mahitaji na matarajio ya wateja kupitia majukwaa ya kidijitali, kujali haki na mahitaji ya wafanyakazi ili kuwa na mchanganyiko wa vipaji tunavyovihitaji, na kuendelea kupata ufanisi unaohitajika zaidi ya ule wa kifedha pekee kwa manufaa ya wanahisa wetu huku tukiendelea kutekeleza malengo yetu ya kusaidia maendeleo ya kiuchumi na kijamii kwa kuchangia kutatua kero na kufanikisha malengo ya jamii yetu.

Kasi yetu endelevu ya ufanisi imetuweka kwenye msingi imara wa kuzichangamkia fursa za kukua zaidi.

Maendeleo ya Sekta

Miaka miwili tangu kuibuka kwa janga la UVIKO-19, bado uchumi wa dunia unaendelea kuimarika katikati ya changamoto mpya za kisiasa. Katika kipindi cha mwaka 2021, sekta ya benki Tanzania iliendelea kuwa imara, isiyotetereka. Kiasi cha ukwasi na uwiano wa utoshelevu wa mtaji wa benki za biashara ulikuwa imara, juu ya unaopendekezwa kisheria. Faida ya sekta ya benki ilikua, huku thamani ya mali zake nayo ikiongezeka. Faida ya sekta ya benki kabla ya kodi iliongezeka kwa 48% na kufika TZS 1 trillioni kwa mara ya kwanza. Ukuaji huo ulitokana na ongezeko la mapato yaliyokua kwa 10% na kupungua kwa gharama za uendeshaji zilizoshuka kwa 62%.

Thamani ya Jumla ya Mali za mabenki ilikua kwa 24% kwa mwaka na kufika TZS 38.7 trilioni ikichangiwa zaidi na uwekezaji kwenye amana na hatifungani za Serikali ulioongezeka kwa 39% kwa mwaka, mikopo iliyotolewa kwa wateja (iliyokua kwa 21% kwa mwaka), na amana za wateja (zilizoongezeka kwa 25%). Kiasi cha mikopo chechefu kiliendelea kupungua kikifikia 6.7% kwa sekta nzima huku Faida ya Mtaji ikiwa 13% na Faida ya Mali ikiwa 2%. Mikopo iliyotolewa kwa sekta binafsi iliongezeka ikichangiwa na kuimarika kwa shughuli za kiuchumi, sera rafiki za fedha na Benki Kuu ya Tanzania kufungua dirisha mahsusi la kilimo. Kwa miezi 12 mpaka Disemba 2021, mikopo iliyotolewa kwa sekta binafsi iliongezeka kwa 10% ikilinganishwa na ongezeko la 3% mwaka 2020. Sekta pia iliendelea kuimarika kwani upatikanaji wa huduma zake hasa kupitia majukwaa ya kidijitali uliongezeka hivyo kuimarisha ujumuishaji wananchi kwenye sekta ya benki.

Mwendelezo wa Matokeo Mazuri

Benki ilikuwa na ufanisi mzuri mwaka 2021. Tukiwa tumejidhatiti kulinda misingi yetu, tuliitumia kukuza biashara na kuimarisha mtaji huku mizania yetu ikikua, tukaongeza mapato na kuboresha utendaji na hivyo kupata mafanikio makubwa. Kufanikisha malengo yetu ya kipaumbele katika mwaka 2021 kulichangia faida tuliyoipata na kutuwezesha kuweka msingi imara wa kuendelea kufanikisha malengo ya baadaye.

Mizania ya Benki ilikua kwa 23% mwaka 2021 na kufika TZS 8.7 trillioni mwaka 2021 baada ya kuwawezesha wateja wetu wengi kufanikisha malengo yao. Wakati mizania yetu ikikua kwa kasi, tuliendelea kuwa makini na ubora wa mali, uwiano wa mikopo chechefu ulikuwa 4% mwaka 2021 ambazo ni ndani ya 5% zinazotakiwa kisheria. Tuliongeza thamani kwa kuzindua huduma na bidhaa mpya kukidhi mahitaji ya wateja wetu ambazo zilikidhi matarajio yao. Amana za wateja ziliongezeka kwa 25% kwa mwaka na kufika TZS 6.6 trilioni huku idara zetu zote zikikua. Tuliendelea kuwa na ukwasi wa kutosha na mtaji wetu ulikuwa na wa kutosha, uwiano wa mtaji wa msingi ulikuwa 20.5% na uwiano wa Jumla ya Mtaji ulikuwa 24.6%.

Mapato yaliongezeka kwa 18% kwa mwaka na kufika TZS 982 bilioni. Programu zetu za kubana matumizi ziliendelea kuleta faida kwani uwiano wa gharama za uendeshaji na mapato uliimarika na kufika 46% mwaka 2021 hivyo kuwa ndani ya kiwango kinachokubalika kisheria cha 55%. Ufanisi huo ulituongezea uwezo wa kuwekeza zaidi katika maeneo ambayo benki ina uhakika wa kupata faida, kuboresha huduma kwa wateja pamoja na kukidhi mahitaji yao na kuimarisha ufanisi kwa ujumla. Tulipata faida ya TZS 414 bilioni kabla ya kodi ambayo ni sawa na ongezeko la 40% mwaka 2021 na faida baada ya kodi kiasi cha TZS 290 bilioni, sawa na ongezeko la 41% kwa mwaka iliyoimarisha ukubwa wetu sokoni.

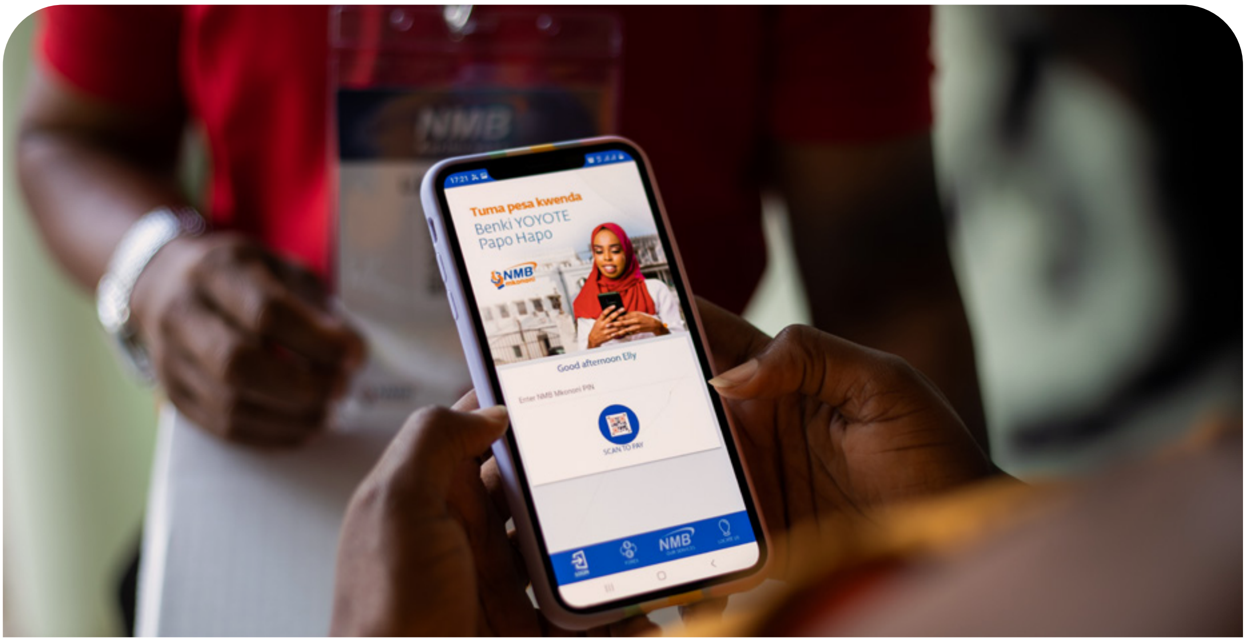
Mapitio ya Mpango Mkakati

Jina la Benki ya NMB limekuwa jina mashuhuri nchini Tanzania hivyo kutuwezesha kupata mafanikio na kuongeza thamani kwa wadau wetu.

Matokeo na utendaji mzuri katika mwaka wa kwanza wa utekelezaji mpango mkakati wa muda wa kati uliohuishwa yanadhihiridha uelekeo sahihi tuliouchukua kwani tunaendelea kushuhudia kuimarika kwa ufanisi katika idara zetu zote.

Mikakati kwenye Huduma za Kidijitali

Tuliendelea kuhakikisha tunakuwa karibu zaidi na wateja wetu na kuwasaidia kukidhi mahitaji yao na kuwawezesha kutimiza ndoto zao. Juhudi



zetu za kuwatanguliza wateja kwenye kila kitu tunachokifanya zimeendelea kuzaa matunda kwani idadi ya akaunti za wateja iliongezeka mpaka kufikia milioni 5.

Ili kutimiza matarajio na matakwa ya wateja wetu, tuliwekeza kwenye huduma za kidijitali kuwawezesha kupata huduma zetu kiurahisi zaidi ili tuendelee kuwa wenye kasi zaidi ya kuongeza wateja kwa kuwa na bidhaa zinazokidhi mahitaji ya kila kundi hivyo kuongeza ufanisi wetu na kutanua upatikanaji wa huduma za benki kwa gharama nafuu.

Uwezo wetu wa kufikisha huduma kwa njia za kibunifu uliendelea kuwa muhimu katika ujumuishaji wananchi kwenye sekta ya kifedha. Katika mwaka 2021, tuliendelea kuimarisha na kuboresha NMB Mkononi, jukwaa letu la huduma yetu kupitia simu ya mkononi ili kuwarahisishia huduma wateja wetu kwa usalama zaidi. Jukwaa hili linaendelea kukua kwa idadi ya wateja kuongezeka kila mwaka na linaendelea kuwafikia wateja wengi zaidi ambao wasingekuwa wanatumia huduma za benki.

Tukiwa mstari wa mbele kuwajumuisha watanzania kwenye huduma za benki, tunaendelea kutanua huduma zetu za uwakala katika maeneo mengi zaidi nchini tukiumaliza mwaka tukiwa na mawakala 10,194 nchini kote. Huduma zetu za uwakala wa benki zimeongeza fursa ya biashara kwa watoa huduma zilizowaongezea kipato na kutoa ajira mahali zinapohitajika. Mtandao wetu mpya wa kutumia kadi za benki zinazojumisha kadi ya mkopo (credit card), kadi ya akiba (debit card) na kadi ya malipo ya kabla (pre-paid card) pamoja na msimbo wa QR uliendelea kukua hivyo kuwezesha malipo bila kutumia fedha taslimu. Tuliingia ubia na wafanyabiashara kadhaa na kuwawezesha wateja wetu kulipia huduma na bidhaa kwa kutumia kadi zao huku wakipata punguzo la bei. Huduma hizi zinapatikana mahotelini na katika mighahawa mikubwa, vituo vya mafuta, madukani na kwa wafanyabiashara wengine wengi. Vilevile, tuliendelea kuiboresha NMB Direct, mfumo wetu wa huduma kwa intaneti ili kukidhi mahitaji ya wateja wetu kwa namna salama na yenye machaguo mengi. Mfumo huu unaendelea kukua huku idadi ya watumiaji ikiongezeka kila mwaka.

Uwekezaji muhimu tunaoendelea kuufanya kwenye huduma za kidijitali umetusaidia kurahisisha upatikanaji wa huduma salama za benki na za uhakika. Matokeo ya juhudi hizo ni ongezeko la wateja huku 94% ya miamala yote ya NMB ikifanyika kwenye majukwa mbadala nje ya ile iliyozoeleka, ndani ya matawi ya benki. Ongezeko la matumizi ya huduma za kidijitali lina maana kubwa ya kuwahudumia wateja wetu kwa gharama nafuu hivyo kutupa nafasi ya kuwekeza zaidi kwenye eneo hilo ili kuongeza ujumuishaji wananchi kwenye huduma za fedha nchini.

Tuliendelea kubuni huduma na bidhaa zinazokidhi mahitaji ya wateja kwa kuwashirikisha kwa karibu kwa kusikiliza mapendekezo yao. Matokeo yake, tulizindua bidhaa kadhaa mwaka 2021 ikiwamo Go na NMB-huduma mahsusi kwa ajili ya vijana, Bima ya Mazishi kwa Vikundi, Ushirika Afya, Jahazi Insurance, na Spend 2 Save ambazo zinalenga kuongeza ujumuishaji wananchi kwenye huduma za fedha. Idara yetu ya bima pia iliendelea kufanya vizuri mwaka huu.

Tutaendelea kuwekeza na kutafuta fursa nyingine za kutoa huduma kidijitali ili kuongeza ufanisi wa benki kufikisha huduma zake kwa wananchi. Mara nyingi, tunajumuika na wateja wetu na kupokea maoni yao ikiwamo kwa kuwashirikisha kwenye utafiti ili kuyaelewa mahitaji yao yanayobadilika kila wakati hivyo kujiweka kwenye nafasi ya kuwawezesha kufanikisha ndoto zao. Tunaendelea kuhakikisha tunabuni huduma za kidijitali ambazo ni rafiki kwa wateja ili kutanua wigo wetu.

Kutoa Thamani Zaidi ya Huduma za Fedha

Ukiacha utekelezaji wa vipaumbele vyetu muhimu kwa mwaka 2021, dhima yetu ni kuendelea kuwa kinara wa kufanikisha maendeleo ya kiuchumi na kijamii kwa kutambua kwamba mafanikio yetu yana uhusiano mkubwa na maendeleo ya jamii na wadau tunaowahudumia. Ukuaji makini na endelevu wa benki pamoja na faida iliyoipata ni muhimu katika kufanikisha dhima yetu ya kuwa daraja la kufanikisha maendeleo ya kiuchumi na kijamii nchini Tanzania.

Katika mwaka 2021, tulizindua Sandbox-jukwaa linalotoa fursa kwa wabunifu wa kidijitali kuendeleza kazi zao ili kujenga jamii inayotumia zaidi huduma za kibunifu. Sandbox inatuwezesha kushirikiana na wadau makini na kampuni za kidijitali hivyo kuatamia bidhaa muhimu na zinazohitajika katika jamii. Tumeendelea kuwekeza kiasi kikubwa katika programu za kuisaidia jamii kwa kutenga 1% ya faida ya benki baada ya kodi kila mwaka. Mwaka 2021 tulitumia zaidi ya TZS 2 bilioni kufanikisha utekelezaji wa miradi ya kijamii katika sekta za elimu, afya, elimu ya fedha na mazingira. Vilevile, tulijitoa kuwasaidia wanawake kufanikisha ndoto zao kwa kukusanya zaidi ya TZS 409 milioni kupitia mashindano ya riadha ya Mwendo wa Upendo zilizotumika kuwatibu wagonjwa wa fistula. Katika kudhihirisha kujitoa kwetu kuelekea maendeleo endelevu, tulizindua Asasi ya kiraia ya NMB Foundation, jukwaa linalolenga kuiboresha idara yetu ya huduma kwa jamii kwa kutanua kiwango cha wanufaika kwa kushirikiana na wadau muhimu. Tunaamini juhudi zetu za kuwekeza kwa jamii kupitia Taasisi ya NMB zitafika mbali zaidi katika kuchangia maendeleo endelevu kwa jamii hasa wenye kipato cha chini na kuleta matokeo yake.

Mchango wetu kwenye sekta ya kilimo uliendelea kujidhihirisha mwaka 2021 kwani tulikuwa wa kwanza kutenga fungu mahsusi kiasi cha TZS 100 bilioni kwa ajili ya kutoa mikopo kwenye sekta ya kilimo kwa riba isiyozidi 10%. Tunaamini juhudi zetu zitasaidia kuiwezesha sekta hiyo muhimu kwa maendeleo ya uchumi wa Taifa.

Sambamba na ukuaji endelevu, kodi tuliyoilipa serikalini iliongezeka hali inayodhihirisha umuhimu wa benki katika eneo hilo. Mwaka 2021 Benki ilitambuliwa na Mamlaka ya Mapato Tanzania (TRA) kama mlipaji kodi mkubwa zaidi kwenye sekta ya fedha na kushika nafasi ya tatu ya mlipakodi mkubwa zaidi nchini.

Wafanyakazi Wetu

Wafanyakazi wetu ndio rasilimali muhimu zaidi kwani wao ni muhimu katika kufanikisha malengo ya benki yao. Tunaendelea kuwashirikisha kwa karibu ili kuweka mazingira rafiki wanayoyoweza kutekeleza majukumu yao na kutimiza ndoto zao. Tumefanya vyema katika programu ya mabadiliko ya utamaduni na kupata mafanikio makubwa tangu ilipozinduliwa mwaka 2020. Mafanikio tuliyopata katika utekelezaji wa programu hiyo yametusaidia kuboresha utendaji kazi wetu, kuongeza tija na kuimarisha uwezo wa wafanyakazi wetu kwa kuwajengea uwezo wa kiuongozi na kiutawala na kutanua wigo wa vipaji miongoni mwao. Ushirikishaji wa wafanyakazi uliimarika na kufikia asilimia 75 kutoka asilimia 71 ya kipindi kilichopita. Tunaendelea kuweka juhudi za kufungua fursa zaidi huku tukipokea maoni na mrejesho kutoka kwenye utafiti unaofanywa kwa wafanyakazi ili kuweka mazingira rafiki ya wao kuendelea kukua. Tutaendelea kuwekeza kwa wafanyakazi wetu kuhakikisha tunawaandaa kuwa viongozi wa baadaye na kuendeleza ajenda zao kwa kuwajengea uwezo zaidi. Tunaendelea kuweka mazingira wezeshi kwa kila mfanyakazi kuwahudumia wadau wetu.

Matarajio

Kuhitimisha, najisikia fahari kwa kila kitu tulichokifanya na kufanikiwa mwaka 2021 kwani tuliongeza thamani kwa wadau wetu. Mafanikio tuliyoyapata yasingewezekana pasipo kujituma na kujitoa kwa wafanyakazi wetu wenye uzalendo. Napenda kuwashukuru wafanyakazi wenzangu wote kwa moyo wao wa kujitoa na kujituma kuwahudumia wadau wetu hivyo kufanikisha malengo yetu. Ninaishukuru Bodi ya Wakurugenzi kwa maelekezo yake, ushauri na uongozi na ninawashukuru wateja, wabia, wawekezaji na jamii kwa kuendelea kuiamini benki yetu. Vilevile naishukuru Benki Kuu ya Tanzania kwa kuendelea kutoa miongozo na sera rafiki za fedha ambazo zimekuwa msaada mkubwa kwa sekta ya fedha nchini.

Ingawa matokeo mazuri tuliyoyapata mwaka 2021 yanadhihirisha mwanzo mzuri wa utekelezaji wa mpango mkakati wetu, bado tunaitizama safari tuliyoianza na kuamini kwamba tutavuka salama licha ya changamoto zinazoendelea kutokea duniani hivyo kuathiri mazingira ya biashara. Tukiangalia mbele zaidi, benki itaendelea kufungua fursa na kuzitumia rasilimali zake kuongeza thamani kwa wateja na kutengeneza faida zaidi kwa wawekezaji wake. Tunatarajia kuwahudumia tena mwaka 2022 na hata baadaye.

Ruth Zaipuna
Afisa Mtendaji Mkuu

Juma Kimori

Chief Financial Officer

In 2021, we continued to deliver record breaking performance results, highlighting a well-executed strategy, a transformative business model, and the strength of our core foundations.

Chief Financial Officer's Statement

Sustained performance momentum, consecutively delivering record-setting profitability.

Key Highlights:

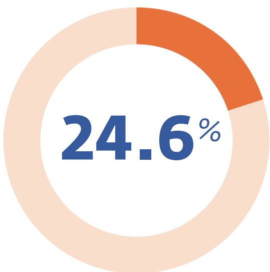
Total Assets

TZS **8,722** billion ↑23% YoY

Total Income

TZS **982** billion ↑18% YoY

Total Capital Ratio



Profit After Tax

TZS **290** billion ↑41% YoY

Bank's Performance

The bank delivered another strong set of results in 2021, with performance momentum sustained consecutively leading to record-setting industry profitability and solid growth in our underlying business. The bank's differentiated business model and disciplined execution of strategic initiatives continue to drive market share gains, further cementing the Bank's leading position within the market. A recorded Profit after tax (PAT) of TZS 290 bln is up 41% YoY and above full year 2020 (TZS 206 billion PAT) industry record-setting profitability.

The bank's total income increased by 18% YoY to TZS 982 billion, with income performance reflecting strong growth in net-interest income, which increased 20% YoY, and non-funded income, which increased 14% YoY. Interest income grew by 14% YoY to TZS 815 billion from TZS 713 billion in the same period last year, attributed to continued strong growth in loans and advances and strategic investments in government securities, which grew by 13% and 33% YoY respectively. Interest expenses were well-contained with the TZS 139 billion recorded in 2021 being better than previous year by 5%. Non-funded income (NFI) grew by 14% YoY to TZS 306 billion in 2021 from TZS 268 billion in 2020, reflecting increased activities on the bank's channels.

The bank continued to demonstrate laudable operational efficiency, with further improved cost-to-income ratio to 46% from 51% in the same period last year, being well within the regulatory threshold of 55%. Despite the marginal increase in operating expenses which increased by 9% YoY to TZS 455 billion in 2021, we continue to closely manage cost to drive further efficiency gains whilst optimizing investments in strategic priorities as we progress along the year 2022.

The quality of the bank's asset book remained good. Close management of the loan book and strong customer relationship management saw improvement in overall asset quality, with the bank's NPL ratio of 4% as at December 2021 being below the 5% regulatory threshold. Loan impairment charge decreased by 5% YoY to TZS 113 billion from TZS 119 billion in 2020, as we continue to see results from the implementation of various initiatives to improve overall portfolio quality. Overall, we continue to have a proactive approach to risk management and remain watchful.

The bank recorded profit after tax (PAT) of TZS 290 bln in 2021, highest in the industry and up 41% YoY from the record-setting PAT of TZS 206 billion in 2020, due to sustained strong business momentum, increased efficiency, and improved credit portfolio quality. Our strategic initiatives continue to be executed with rigor, as the bank maintained its market-leadership position and remains well positioned for further growth in the coming period.

Earnings per share (EPS) grew 41 percent to TZS 580 and we continue to improve shareholder returns. Return on equity increased to 21 percent in 2021 from 18 percent in 2020.

A final ordinary dividend per share of TZS 193 has been proposed by the Board which would result to an increase of 41% dividend payout, year-over-year.

Bank Profit & Loss Summary for the year ended 31 December 2021

	2021 TZS Milions	2020 TZS Milions	Change TZS Milions	Better / (Worse) %
Net interest income	676,215	565,655	110,560	20
Net fees and commission income	248,541	223,416	25,125	11
Foreign exchange, trade and other income	57,326	44,879	12,447	28
Operating income before impairment	982,082	833,950	148,132	18
Impairment charge	(113,129)	(119,312)	6,183	5
Operating income after impairment	868,953	714,638	154,315	22
Operating expenses	(455,066)	(418,895)	(36,171)	(9)
Profit before tax	413,887	295,743	118,144	40
Income tax expense	(123,701)	(89,941)	(33,760)	38
Profit for the year	290,186	205,802	84,384	41
Return on equity (%)	21	18		
Return on assets (%)	3	3		
Cost to income ratio (%)	46	51		
Non interest income to gross income (%)	32	31		
Earnings per share (%)	580	412		
Dividends per share (%)	193	137		

PERFORMANCE REVIEW

Operating Income by Segments

	2021 TZS Milions	2020 TZS Milions	Change TZS Milions	Better / (Worse) %
Retail	755,609	650,230	105,379	16
Wholesale	65,075	53,269	11,806	22
Treasury	161,398	130,451	30,947	24
Total	982,082	833,950	148,132	18

Retail Banking total income grew 16% YoY to TZS 756 billion, mainly attributed to increased net-interest income from strong growth of the loan book and increase in non-funded income. Loans and advances increased 13% YoY to TZS 4 trillion.

Wholesale Banking total income grew 22% YoY to TZS 65 billion due to good balance sheet growth, as loans and advances grew by 19% reflecting improved lending momentum year-over-year and continued strong client relationship management which supported good deposits growth.

Treasury total income grew 24% YoY to TZS 161 billion due to strong growth across all business lines, including investments in Government Securities, which increased 33% YoY, and Trading Income (Foreign Exchange and Bond) which grew 14% YoY.

Credit Risk Summary

	2021 TZS Milions	2020 TZS Milions	Change TZS Milions	Better / (Worse) %
Wholesale banking	60,989	79,586	(18,597)	24
Retail banking	52,140	39,726	12,414	(32)
Off balance sheet items				
Total impairment charge	113,129	119,312	(6,183)	5

Asset quality remained good, with improved impairment performance year-over-year reflecting continued focus on prudently watching over the asset book and close-client relationship management for improved overall asset quality. The NPL ratio closed at 4% as of end of December 2021, within the regulatory threshold.

Operating Expenses Summary

	2021 TZS Milions	2020 TZS Milions	Change TZS Milions	Better / (Worse) %
Employee benefits expense	**243,679**	210,174	33,505	(16)
Other operating expenses	**148,920**	140,171	8,749	(6)
Depreciation and amortization	**62,467**	68,550	(6,083)	9
Total operating expenses	**455,066**	418,895	36,171	(9)
Number of staff (FTE)	**3,482**	3,465		

We continue to closely manage expenses and have delivered cost growth (9% YoY) below the level of income growth (18% YoY), with further efficiency gains resulting in improved cost-to-income ratio of 46% in 2021 from 51% in 2020.

Balance Sheet and Capital

Strong balance sheet and capital position maintained. Well positioned for further growth.

The bank continued to be disciplined in its focus on maintaining a strong balance sheet, with sustained growth demonstrating enhanced customer relationships in core business segments while remaining highly liquid.

Loans and Advances increased by 13% YoY to TZS 4.6 trillion (net of Impairment) owing to robust and commendable credit portfolio growth across our business in key market segments including Agri-business, SME, and Personal Loans.

The bank maintained a strong liquidity position and has continued to see good deposits growth across the business. Customer Deposits grew 25% YoY to TZS 6.6 trillion as of end of December 2021 compared to TZS 5.3 trillion in December 2020. The bank is predominantly deposits funded with CASA continuing to be core of the customer deposit base, constituting around 80% of the bank's total funding. Our loans-to-deposits ratio further improved during the year to 69% as of 31st December 2021 from 78% in the prior year period.

The bank's total assets closed at TZS 8.7 trillion, up 23% YoY from TZS 7 trillion in the same period last year, with balance sheet growth largely driven by increased customer lending on the back of significant growth in customer deposits as well as continued strategic investments in government securities.

The bank remains well capitalized and continues to generate good levels of organic equity, with Tier I Capital Ratio increasing to 23.8% in 2021 from 19.3% in 2020, and Total Capital Ratio increasing to 24.6% in 2021 from 20.6% in 2020. Our strong capital base provides significant buffers over regulatory requirements and positions us well for future opportunities.

Balance Sheet and Capital

	2021 TZS Milions	2020 TZS Milions	Change TZS Milions	Better / (Worse) %
Cash and balances with Bank of Tanzania	**1,484,029**	1,047,488	436,541	42
Placements and balances with other banks	**337,255**	170,829	166,426	97
Investment in Government Securities	**1,739,280**	1,304,253	435,027	33
Loans and Advances to customers	**4,653,933**	4,109,362	544,571	13
Other Assets	**507,834**	466,165	41,669	9
Total Assets	8,722,331	7,098,097	1,624,234	23
Deposit due to other banks	**408**	131,224	**276,776**	211
Deposits from customers	**6,664,263**	5,325,455	**1,338,808**	25
Other liabilities	**298,676**	511,484	**(212,808)**	(42)
Total Liabilities	7,370,939	5,968,163	1,402,776	24
Total Equity	1,351,392	1,129,934	221,458	20
Total Equity and Liabilities	8,722,331	7,098,097	1,624,234	23
Gross loans and advances to deposits (%)	69	78		
Core Capital Ratio (%)	23.8	19.3		
Total Capital Ratio (%)	24.6	20.6		
Risk weighted assets	5,209,540	5,310,036		

Outlook

We delivered strong financial outcomes for our shareholders and key stakeholders in 2021, with the sustained performance supporting the bank's overall mission of being a catalyst for spurring overall socio-economic development in the country. We will continue to execute our strategy with discipline and conviction as we look to build on the strong performance momentum and maintain our focus on delivering superior financial performance.

As we look forward, we will intensify our focus on balance sheet optimization and remain committed to maintaining a strong capital position, further efficiency gains, maintaining a quality asset book through robust risk management, and optimizing investments in strategic priorities to enhance the customer experience and deliver strong returns. As we continue to closely watch the evolution of global events not least due to the Russia-Ukraine crisis, we remain optimistic about the opportunities that lie ahead and the ability of our people and our strategy to capture them.

CPA Juma Ajuang Kimori
Chief Financial Officer

Juma Kimori

Afisa Mkuu wa Fedha

> *Ufanisi mzuri tulioupata mwaka 2021 unadhihirisha mwendelezo wa utekelezaji makini wa mikakati na matokeo yanaendelea kujidhihirisha.*

Taarifa ya Afisa Mkuu wa Fedha

Ufanisi endelevu: Tumeendelea kuvunja rekodi ya faida ya mwaka.

Dondoo Muhimu:

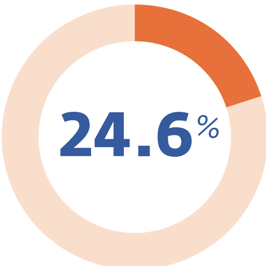
Jumla ya Mali

TZS bilioni **8,722** ↑ 23% YoY

Jumla ya Mapato

TZS bilioni **982** ↑ 18% YoY

Uwiano wa Mtaji wa Jumla



Faida Baada ya Kodi

TZS bilioni **290** ↑ 41% YoY

Ufanisi wa Benki

Benki iliendelea kupata kubwa mwaka 2021 iliyochangiwa na ufanisi ulioendelea kuimarika mwaka hadi mwaka hivyo kuvunja rekodi katika sekta ya fedha na kuweka msingi imara wa ukuaji wa biashara yetu . Mpango biashara wa kipekee wa benki yetu pamoja na nidhamu ya utekelezaji makini wa mikakati yetu imetufanya tuendelee kuongoza kwenye kutengeneza faida kwenye mabenki nchini. Mwaka 2021 tulipata faida ya TZS bilioni 290 baada ya kodi ambayo ni sawa na ongezeko la asilimia 41 ikilinganishwa na faida tuliyopata mwaka 2020 (faida ya TZS bilioni 206 baada ya kodi) na kutufanya tuendelee kuvunja rekodi. Faida hii inatokana na kuongezeka kwa ufanisi, kukua kwa mizania ya benki, ubora na umakini katika kusimamia mikopo, na kuongezeka kwa miamala ya wateja katika kipindi cha mwaka 2021.

Jumla ya mapato ya benki yaliongezeka kwa 18% na kufika TZS bilioni 982 yakichangiwa zaidi na mapato halisi ya riba yaliyoongezeka kwa 20% kwa mwaka pamoja na mapato yasiyo ya riba yaliyoongezeka kwa 14% kwa mwaka huo pia ukilinganisha na mwaka 2020. Mapato yatokanayo na riba yaliongezeka kwa 14% na kufikia TZS bilioni 815 mwaka 2021 kutoka TZS bilioni 713 mwaka 2020 yakichangiwa na ongezeko la mikopo iliyotolewa kwa wateja iliyoongezeka kwa 13% pamoja na uwekezaji wa kimkakati kwenye hatifungani za Serikali ulioongezeka kwa 33%. Gharama za riba zilipungua kwa 5% mpaka TZS bilioni 139 mwaka 2021 ikilinganishwa na ilivyokuwa mwaka uliotangulia. Mapato yasiyo ya riba yaliongezeka kwa 14% na kufika TZS bilioni 306 mwaka 2021 kutoka TZS bilioni 268 za mwaka 2020 hali inayodhihirisha ongezeko la shughuli katika majukwaa tofauti ya benki.

Benki iliendelea kuimarisha ufanisi wake kwenye gharama za uendeshaji ulioshuhudia uwiano wa gharama na mapato ukishuka mpaka 46% kutoka 51% katika kipindi kama hicho mwaka uliopita hivyo kuendelea kuwa ndani ya uwiano wa 55% unaokubalika na Benki Kuu. Ingawa gharama za uendeshaji ziliongezeka kidogo kwa 9% na kufika TZS bilioni 455 mwaka 2021, tunaendelea kudhibiti gharama hizi ili kuimarisha ufanisi huku tukiendelea kuwekeza katika maeneo ya kimkakati na kuwasogezea huduma karibu wateja wetu.

Mizania ya benki iliendelea kuwa imara. Ufuatiliaji na udhibiti makini ya mikopo tuliyoitoa pamoja na uhusiano mzuri na wateja wetu uliboresha mali huku uwiano wa mikopo chechefu ya benki ukifikia 4% Disemba 2021 ambayo ni chini ya 5% inayokubalika kisheria. Tengo la mikopo chechefu lilipingua kwa 5% na kufika TZS bilioni 113 kutoka TZS bilioni 119 ya mwaka 2020 yakiwa ni matokeo ya utekelezaji wa mikakati ya kuboresha ukopeshaji tunaoufanya pamoja na kuimarisha mahusiano na wateja. Kwa ujumla, tunaendelea kuchukua tahadhari za mapema kukabili vihatarishi vinavyoweza kujitokeza.

Mapato kwa hisa yaliongezeka kwa asilimia 41 na kufika TZS 580 na tunaendelea kuimarisha faida ya kila mwanahisa. Faida ya Mtaji iliongezeka kwa asilimia 21 mwaka 2021 kutoka asilimia 18 za mwaka 2020.

Kutokana na faida iliyopatikana kwa mwaka 2021, gawio la TZS 193 kwa kila hisa ya kawaida limependekezwa na Bodi ya Wakurugenzi ambalo ni sawa na ongezeko la 41% likilinganishwa na mwaka uliopita.

Taarifa fupi ya Faida na Hasara ya Benki kwa mwaka ulioishia tarehe 31 Disemba 2021

	2021 TZS Milioni	2020 TZS Milioni	Mabadiliko TZS Milioni	Nzuri/ (Mbaya) %
Mapato halisi ya riba	676,215	565,655	110,560	20
Mapato halisi ya ada na kamisheni	248,541	223,416	25,125	11
Fedha za kigeni, biashara na mapato mengine	57,326	44,879	12,447	28
Mapato ya uendeshaji kabla ya tengo la mikopo chechefu	982,082	833,950	148,132	18
Tengo la mikopo chechefu	(113,129)	(119,312)	6,183	5
Mapato baada ya tengo la mikopo chechefu	868,953	714,638	154,315	22
Gharama za uendeshaji	(455,066)	(418,895)	(36,171)	(9)
Faida kabla ya kodi	413,887	295,743	118,144	40
Kodi ya Mapato	(123,701)	(89,941)	(33,760)	38
Faida ya mwaka	290,186	205,802	84,384	41

Faida ya Mtaji (%)	21	18
Faida ya Mali (%)	3	3
Uwiano wa gharama na mapato (%)	46	51
Uwiano wa mapato yasiyo ya riba na mapato ghafi (%)	32	31
Pato kwa kila hisa (%)	580	412
Gawio kwa kila hisa (%)	193	137

Mapato ya Uendeshaji kwa kila Idara

	2021 TZS Milioni	2020 TZS Milioni	Mabadiliko TZS Milioni	Nzuri/ (Mbaya) %
Wateja wadogo	**755,609**	650,230	105,379	16
Wateja wakubwa	**65,075**	53,269	11,806	22
Hazina	**161,398**	130,451	30,947	24
Jumla	982,082	833,950	148,132	18

Idara ya Wateja Wadogo jumla ya mapato iliongezeka kwa 16% na kufika TZS bilioni 756 yakichangiwa zaidi na mapato halisi ya riba kutokana na kuongeza kwa mikopo tuliyoitoa pamoja na mapato yasiyo ya riba ambayo yalichangiwa na ongezeko la miamala ya wateja. Mikopo tuliyoitoa iliongezeka kwa 13% na kufika TZS trilioni 4.

Idara ya Wateja Wakubwa jumla ya mapato iliongezeka kwa 22% na kufika TZS bilioni 65 kutokana na kuimarika kwa mizania kulikochangiwa na ukuaji wa mikopo iliyoongezeka kwa 19% inayodhihirisha ongezeko la kasi ya kukopesha kila mwaka na uhusiano mzuri na wateja uliochangia ukuaji wa amana za wateja.

Hazina mapato kwa ujumla yaliongezeka kwa 24% na kufika TZS bilioni 161 kutokana na kuimarika kwa biashara katika Idara zote ukiwamo uwekezaji katika amana za Serikali ulioongezeka kwa 33% mwaka kwa mwaka, na mapato ya biashara (ubadilishaji fedha za kigeni na uuzaji amana) iliyokua kwa 14% mwaka kwa mwaka.

Taarifa Fupi ya Mikopo kwa kila idara

	2021 TZS Milioni	2020 TZS Milioni	Mabadiliko TZS Milioni	Nzuri/ (Mbaya) %
Wateja Wakubwa	**60,989**	79,586	(18,597)	24
Wateja Wadogo	**52,140**	39,726	12,414	(32)
Vilivyo Nje ya Mizania				
Tengo la Mikopo Chechefu	113,129	119,312	(6,183)	5

Ubora wa mikopo ya wateja iliendelea kuwa mzuri huku tengo la mikopo chechefu likiendelea kupungua mwaka hadi mwaka hali inayodhihirisha umakini wetu katika ukopeshaji na kuboreshwa kwa mahusiano na wateja kwa ujumla. Kufikia Disemba 2021, uwiano wa mikopo chechefu ulikuwa 4% ambao ni ndani ya kiasi kinachopendekezwa kisheria.

Taarifa Fupi ya Gharama za Uendeshaji

	2021 TZS Milioni	2020 TZS Milioni	Mabadiliko TZS Milioni	Nzuri/ (Mbaya) %
Mishara na stahili za wafanyakazi	**243,679**	210,174	33,505	(16)
Gharama nyingine za uendeshaji	**148,920**	140,171	8,749	(6)
Uchakavu na ulipaji madeni	**62,467**	68,550	(6,083)	9
Jumla ya gharama za uendeshaji	**455,066**	418,895	36,171	(9)
Idadi ya wafanyakazi (wa kudumu)	**3,482**	3,465		

Kwa mwaka mzima, tuliendelea kubana matumizi hivyo gharama ziliongeka kidogo (9%) kiasi ambacho ni chini ya kasi ya ukuaji wa mapato (18%) kwa mwaka jambo lililoleta faida kwa kupunguza uwiano wa gharama na mapato mpaka 46% mwaka 2021 kutoka 51% mwaka 2020.

Mizania na Mtaji

Mizania iliendelea kuimarika na kuwa na mtaji wa kutosha. Tuko tayari kukua zaidi

Benki iliendeleza nidhamu ya kuwa na mizania imara sambamba na ukuaji endelevu pamoja na uhusiano makini na wateja katika idara zetu zote za biashara ambazo nazo ziliendelea kuwa na ukwasi wa kutosha.

Mikopo tuliyoitoa iliongezeka kwa 13% mwaka 2021 na kufika TZS trilioni 4.6 (baada ya kutoa tengo la mikopo chechefu) ikitokana na ukopeshaji makini tulioufanya katika sekta za kimkakati ikiwamo ya kilimo biashara, biashara ndogo, za kati na kubwa, bila kusahau mikopo binafsi.

Benki ilikuwa na ukwasi wa kutosha huku amana za wateja zikiongezeka katika idara zake tofauti. Kwa ujumla, mpaka mwishoni mwa Disemba 2021 amana za wateja ziliongezeka kwa 25% na kufika TZS 6.6 trilioni zikilinganishwa na TZS trilioni 5.3 za Disemba 2020. Kwa kiasi kikubwa, benki inaendeshwa zaidi na akaunti binafsi na akaunti za biashara (CASA) zinazounda takriban 80% ya fedha zote za uendeshaji wa benki. Uwiano wetu wa mikopo na amana uliendelea kuimarika mwaka huo na mpaka tarehe 31 Disemba 2021 ulikuwa 69% kutoka 78% uliokuwapo mwaka uliopita. Hii inadhihirisha kwamba benki yetu ilifunga mwaka na ukwasi wa kutosha.

Thamani ya mali za benki ilikuwa TZS trilioni 8.7 sawa na ongezeko la 23% mwaka 2021 kutoka TZS 7 trilioni mwaka uliopita hivyo kuchangia kuimarisha mizania yetu zaidi kutokana na ongezeko la mikopo tuliyoitoa iliyochangiwa na ongezeko la amana za wateja pamoja na uwekezaji wa kimkakati kwenye amana na hati fungani za serikali.

Benki inao mtaji wa kutosha huku uwiano wake wa Mtaji msingi ukiongezeka mpaka 23.8% mwaka 2021 kutoka 19.3% mwaka 2020 na uwiano wa Mtaji wa Jumla ukipanda mpaka 24.6% mwaka 2021 kutoka 20.6% mwaka 2020. Mtaji wetu wa kutosha unatuhakikishia usalama wa kukidhi matakwa ya kisheria na kutupa uwezo wa kuzichangamkia fursa zitakazojitokeza mbeleni.

Mizani na Mtaji

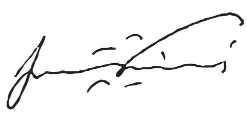
	2021 TZS Milioni	2020 TZS Milioni	Mabadiliko TZS Milioni	Nzuri/ (Mbaya) %
Fedha Taslimu na Akiba Benki Kuu ya Tanzania	**1,484,029**	1,047,488	436,541	42
Akiba Zilizomo Kwenye Benki Nyingine	**337,255**	170,829	166,426	97
Uwekezaji Kwenye Amana za Serikali	**1,739,280**	1,304,253	435,027	33
Mikopo Iliyotolewa kwa Wateja	**4,653,933**	4,109,362	544,571	13
Mali nyinginezo	**507,834**	466,165	41,669	9
Jumla ya Mali	8,722,331	7,098,097	1,624,234	23
Amana za benki nyingine	**408**	131,224	**276,776**	211
Amana za Wateja	**6,664,263**	5,325,455	**1,338,808**	25
Madeni Mengineyo	**298,676**	511,484	**(212,808)**	(42)
Jumla ya Madeni	7,370,939	5,968,163	1,402,776	24
Mtaji wa Jumla	1,351,392	1,129,934	221,458	20
Jumla ya Mtaji na Madeni	8,722,331	7,098,097	1,624,234	23
Uwiano wa mikopo na amana za wateja (%)	69	78		
Uwiano wa Mtaji Msingi (%)	23.8	19.3		
Uwiano wa Mtaji wa Jumla (%)	24.6	20.6		
Mali zenye Vihatarishi	5,209,540	5,310,036		

Matarajio

Tulipata faida nzuri kwa ajili ya wanahisa wetu na wadau wengine muhimu mwaka 2021, huku ufanisi endelevu ukiiwezesha benki kutekeleza dira yake ya kuwa kitovu cha mafanikio ya kijamii na kiuchumi nchini. Tutaendelea kutekeleza mpango mkakati wetu kwa nidhamu kubwa na kupata matokeo bora zaidi.

Tukiendelea na mikakati yetu, tunatarajia kuimarisha mizania yetu na kuendelea kuwa na mchanganyiko imara wa mtaji ili kuongeza faida, kuwa na mali nzuri zaidi, kudhibiti vihatarishi na kuweka kimkakati ili kukidhi mahitaji na matarajio ya mteja hivyo kupata faida nzuri zaidi.

Tukiendelea kufuatilia mwenendo wa matukio ya dunia yatokanayo, pamoja na mambo mengine, mgogoro kati ya Russia na Ukraine, tuko tayari kuchangamkia fursa zilizo mbele yetu kwa uwezo wa wafanyakazi wetu na mkakati wetu wa kuzikamata ndani na nje ya nchi.



CPA Juma Ajuang Kimori
Afisa Mkuu wa Fedha

PERFORMANCE REVIEW

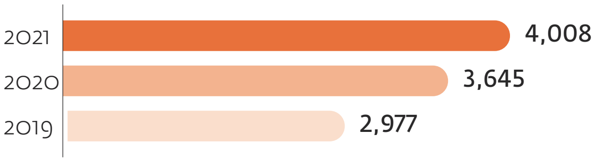
Business Segments Performance Review

Retail Banking

Key Metrics:

Loans & Advances

TZS **4,008** billion



Deposits

TZS **4,768** billion

Income

TZS **756** billion

Committed to Supporting Growth of Agri Sector

We were the first lender in Tanzania to launch a special TZS 100 billion Agri Fund at interest rates not exceeding 10% per annum, to support players along different stages of the agri-value chain, including farmers, entrepreneurs, and small and medium processors, recognizing the importance of agriculture and agri-related sectors in spurring overall socio-economic development in the country.

Segment Overview

Retail Banking serves more than 4 million individual and Business Banking (including agri customers, Small and Medium Sized Businesses). We provide simple, affordable, accessible, and convenient financial solutions spanning across lending, deposits, bancassurance, card products, and a range of digital banking services to our clients. We also support our clients with their business banking needs.

We are closely integrated with the bank's other client segments and provide employee banking services to Corporate Banking clients. Our business also provides a good source of funding to support the bank's business growth ambitions.

Our goal is to offer best-in-class customer experience and provide simple, affordable, accessible, secure, and relevant client propositions.

Key Priorities

- Driving digital innovation: we continue to optimize investments in our digital capabilities, to allow delivery of a more personalized digital experience, reduce cost and create additional capacity to support more of our customers
- Deepen financial inclusion by focusing on relevant propositions for key, underserved segments
- Continuing to grow our business: by deepening penetration in key customer segments whilst supporting growth of key economic sectors, including agriculture and small and medium sized enterprises
- We aim to deliver enhanced customer propositions and services for our customers.
- Continued focus on maintaining a quality credit portfolio through operational rigor.

PERFORMANCE REVIEW

2021 in Review

In 2021, Retail Banking remained focused on providing our customers with banking services in innovative ways and deepening our engagements with our clients and communities to support their ambitions.

We continued to improve our digital capabilities, enhanced our customer value propositions, and continued to focus on aggressively growing our customer base in key segments through excellent customer experience. Through delivery of our strategic initiatives, Retail Banking recorded another strong performance in 2021, with strong year-on-year growth on both Balance sheet and P&L.

We were awarded several accolades by reputable global institutions, including being named the Best Retail Bank in Tanzania 2021, Best SME Bank in Tanzania 2021, and Best Innovation Retail Bank in Tanzania 2021, in recognition of our strong client-focus, service excellence, and innovation.

Performance Highlights

- Total income grew 16% YoY due to strong growth of the loan book and enhanced customer value propositions which boosted overall deposit mobilization efforts.
- Loans and advances grew 13% YoY as we continued to support customers with their financing needs and deepening penetration in core customer segments.
- Deposits grew by 20% YoY due to enhanced customer value propositions, providing a good source of funding to support overall business growth ambitions.

Strategic Progress

Digital platforms remain a key differentiator in service delivery, with our strong systems, digital platforms and innovations connecting our customers to banking services anywhere, anytime. In 2021, we made further enhancements to our mobile banking App (NMB Mkononi) which continues to see good growth in users YoY and our online banking offering through upgrades that introduced more user-friendly interfaces and functionalities. Throughout the year, we placed more emphasis on increasing customer awareness around the different types of transaction services we offer and our competitiveness across digital channels. As a result, we continued to see strong growth in customer transactions on our digital channels as customers increasingly preferred to perform banking away from the physical brick-and-mortar branch, including on mobile, agency banking (NMB Wakala), and cards, as we continued to expand access to banking services through digital solutions.

- We were the first lender in Tanzania to launch a special TZS 100 billion Agri Fund at interest rates not exceeding 10% per annum, to support players along different stages of the agri-value chain, including farmers, entrepreneurs, and small and medium processors, recognizing the importance of agriculture and agri-related sectors in spurring overall socio-economic development in the country.
- We continued to build strategic alliances, including developing new partnerships with various merchants to widen card payment options, and forming new collaborations with reputable insurance providers to expand access to and cater for the needs of Small and Medium Enterprises in key sectors of the economy.
- We grew our agent base and closed the year with 10,194 agents across each corner of the country, reflecting good progress along our channels optimization initiative and helping to widen financial inclusion especially in the country's most remote areas.

- As part of our goal to enhance the financial capability of our communities, we continued to educate customers, including farmers, women, youth, and entrepreneurs, on managing their money and businesses through our business clubs and financial capability programs. These platforms provided financial literacy knowledge to over 10,000 youth and adults and helped customers build their financial confidence.

- In Business Banking, we enhanced our proposition to support the development and growth of key economic sectors, including the mining sector, comprising a combination of access to finance, skills, and networks to support customers and enable entrepreneurs to grow their business.

- Our private-banking proposition continues to grow as we remain focused on offering competitive propositions. We continuously leverage on our experience, expertise, strong digital capabilities, and reach to provide an exceptional customer experience and win the confidence of our customers in this area.

- We continued to focus on providing relevant solutions to support our clients' ambitions by enhancing our customer value propositions. During the year, we introduced 'Spend 2 Save', an innovative solution which supports customers to build better financial habits by enabling them to save every time they perform transactions on digital platforms. We also launched 'Go Na NMB', the first-of-its-kind proposition in the market that enables youth to access customized financial services and solutions relevant to their unique needs, including benefits in the form of skills-building and financial literacy training. The enhanced propositions reflect our broader ambition of supporting efforts towards widening financial inclusion and overall socio-economic development.

- Our bancassurance business is an area we are keen on growing over time. Our focus has been to embed the bancassurance products within our current customer base and expanding the product offering. During the year, we launched Group Funeral Cover designed to cover funeral expenses for group members. We also partnered with a leading insurance provider to introduce Jahazi Insurance, a comprehensive insurance offering for SMEs in the fisheries sector.

- Process optimization and service improvement initiatives continued to gain traction during the year. Our efforts to enhancing our service delivery model resulted in big improvements in customer experience, with clients experiencing faster TAT in the resolution of queries.

- We had notable improvements in overall asset quality due to focused efforts on maintaining a healthy credit portfolio and operational rigor.

Looking to the Future

Our focus in Retail Banking is to continue to be the market leader with best-in-class products and services, relevant to our customers needs. We will continue to invest in building our technology and digital capabilities, scale our digital propositions, and drive uptake of our digital solutions in meeting customer demand and responding to changing behavior. We will continue to deepen our relationships with key customer segments to unlock further opportunities in market segments. We will strengthen our collaboration with other business segments to leverage ecosystems and drive overall business growth. capture ecosystem opportunities and strengthen our offerings to respective customer segments. We will focus on widening financial inclusion and created shared value with our communities through implementation of financial capability programs.

We are grateful to our esteemed customers and clients for their support during the year. We look forward to an even better 2022 as we aim to closely engage with our clients and serve them to support their evolving needs.

Wholesale Banking

Key Metrics:

Loans & Advances

TZS 646 billion

Deposits

TZS 2,299 billion

Income

TZS 65 billion

Enhancing Client Experience by Investing in Digital

We responded to our client's evolving needs by continuing to invest in digitizing our business to deliver enhanced products and capabilities to reflect growing trends. Core to our client-focused strategy is the ongoing digitization of processes and solutions to improve our operational efficiency and the seamless fulfilment of client requirements.

Segment Overview

Wholesale Banking segment is comprised of Corporate Banking, Agri, Government Business, and Institutional Banking, serving public and private institutions, government, and corporate clients with global footprint, spanning various sectors.

Wholesale Banking provides solutions to clients through a diversified suite of financial products and services ranging from working capital, transactional banking (trade, collections, payments solutions), and lending for multinational, large corporates. The bank's financial strength allows us to participate in significant transactions in the country and we remain a strong player in the arranging of finance for key development projects, reflecting our continued commitment towards supporting the Government's broader socio-economic development agenda.

Our strong client relationship teams, deep expertise across key sectors, and solid digital capabilities enable us to deliver exceptional products and services that address our clients' needs.

Key Priorities

- Continue to invest in digital capabilities, technology, and propositions to enhance client experience
- Enhance collaboration with the bank's other business segments by leveraging synergies and banking the ecosystem
- Deepen penetration by investing in relationships and capturing key opportunities in growth sectors
- Continue to leverage strong relationships with key stakeholders to support overall national development efforts and participate in key public financing opportunities

2021 In Review

In 2021, Wholesale Banking continued to make good progress on its strategic priorities. The segment focused on differentiating itself through superior service delivery and enhancing synergies with other business segments to ensure we bank and maximize the opportunities from our clients and ecosystems.

Wholesale Banking closed the year with commendable performance, with key financial metrics registering double-digit year-on-year growth. An overall stable operating environment due to measures taken by the Government and on-going recovery from the global COVID-19 pandemic has helped to support good business growth. We also continue to play a key role in supporting significant projects within the broader economy in line with our commitment of supporting the country's overall socio-economic development agenda.

Performance Highlights

Wholesale Banking continued to see quality Balance Sheet growth momentum with focus on both funded and non-funded asset growth.

Deposits grew significantly by 51% YoY with performance broadly reflective of continued strong client relationship management.

Wholesale Banking total income grew by 23% YoY, with performance demonstrating good grounds made in our client-focused strategy.

Strategic Progress

- Our strong engagements with our clients help us to understand, analyze, and address their financial needs. As we become more digitized and integrated, we are better able to address client financial services needs and match these with secure, personalized, relevant experiences, and a full range of solutions. The digitization of our processes and modernization of our platforms provides more efficient client services and helps our clients execute their strategies.
- We responded to our client's evolving needs by continuing to invest in digitizing our business to deliver enhanced products and capabilities to reflect growing trends. Core to our client-focused strategy is the ongoing digitization of processes and solutions to improve our operational efficiency and the seamless fulfilment of client requirements. In the year, we enhanced our digital propositions and scaled our existing solutions to add further value to our digitally engaged clients, including enhancing the internet banking platform (NMB Direct) to enable a more-feature-rich client experience through improved functionalities.
- Our Payments and Collections solutions continued to facilitate transactions and movement of money for our clients, supporting large transactions through secure channels. We secured new client relationships and continued to enhance existing integrations to provide a better experience.
- We collaborate increasingly with other segments, introducing services to our clients' ecosystem partners – their networks of buyers, suppliers, customers, and service providers – and offering our clients' employee banking services through Retail Banking.
- Our strong relationships and consistent engagement with clients give our teams the insights necessary to provide solutions that help clients protect and grow their businesses in changing market environments.
- As a result of our deepened penetration, our portfolio continues to see good growth in key economic sectors including Oil and Gas, Manufacturing, Energy, and Construction, and we continued to support transformational development projects in the country, reflecting our on-going commitment towards supporting the government's socio-economic development agenda.

- We continued to proactively engage with our clients to understand the support they required and our client relationship teams stayed very close to our clients as they navigated through complex operating conditions. Due to deepened engagements with clients, our overall credit portfolio quality remained broadly stable and overall healthy during the year.

Looking to the Future

Across our Wholesale Banking business, we will remain focused on maintaining our client-centric approach and developing opportunities to sustainably grow our business, whilst maintaining cost-discipline and operational rigor. We are keen to continue providing our clients with the best-in-class solutions and will continue to leverage and enhance our strong digital capabilities to improve the customer experience. Looking ahead, we will focus on ensuring superior service delivery for clients, deepening our client relationships, optimize our existing value propositions through innovation, and capturing client opportunities in key and emerging sectors. We thank our esteemed clients for their support in 2021 and look forward to closely engaging with them to further support their ambitions in 2022 and beyond.

Treasury

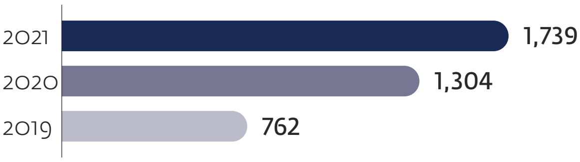
Key Metrics:

Total Income

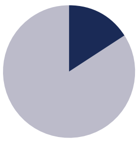
TZS 161 billion

Government Securities Portfolio

TZS 1.7 trillion



Treasury Gross Income Contribution



16%

Segment Overview

Treasury continues to add strong value to the bank's business segments, driving balance sheet optimization and enabling the generating of strong returns to support has increasingly become a strategic business function across all areas of the business, adding value to the operating divisions of the Company.

Key Priorities

- Continue to invest in digital capabilities, technology, and propositions to enhance client experience
- Enhance collaboration with the bank's other business segments by leveraging synergies and banking the ecosystem
- Deepen penetration by investing in relationships and capturing key opportunities in growth sectors
- Continue to leverage strong relationships with key stakeholders to support overall national development efforts and participate in key public financing opportunities

2021 Performance Review

- Total Treasury income stood at TZS 161 billion in 2021, being 23 percent above YoY, with strong growth across all business lines
- We continue to optimize investments in Government Securities, closing the year at TZS 1.7 trillion, an increase of 33% YoY.
- Total Trading Income grew 14% YoY to TZS 36.31 billion in 2021, with FX income contributing TZS 33.6 billion and TZS 2.71 billion coming from Bond Trading income.
- Loans to Deposits Ratio (LDR) closed at 69 percent as at end of December 2021.

Looking to the Future

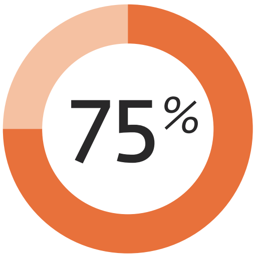
- Continued close client engagement to deepen penetration, with close collaboration from other business segments.
- Continued digitization to provide relevant solutions for clients.
- Balance Sheet Optimization

Our People

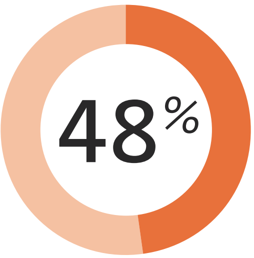
Staff

3,482

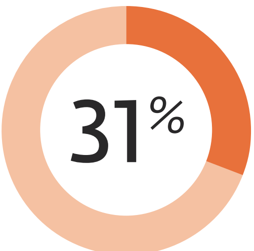
Employee Engagement Score



Staff Diversity Female ratio



Females in Leadership ratio



Staff Training Investment

TZS **3.7** billion

Leadership Training Investment

TZS **126** million

Our Colleagues

Our people are our greatest asset. Our ability to deliver our strategic ambitions hinges on being able to attract and retain strong, diverse talent and critical skills, a strong performance driven culture, and a compelling employee proposition that empowers our people to realize their potential and enables continuous growth.

We believe in our people's potential to make a meaningful contribution to the bank's sustainable growth and success. We therefore closely engage with our employees to understand what they need and want, to ensure motivation, engagement, and commitment.

NMB strives to maintain an enabling working environment that is shaped by unconventional thinking, effective exchange of knowledge, creative problem-solving, constructive feedback, and collegial cooperation to enable our people to thrive.

Creating an Enabling Work Environment

The work environment, contents and working methods are undergoing constant changes due to the ongoing transformations within the Bank. Continuous monitoring of staff developmental programs combined with the range of programs and initiatives aimed at promoting employee's health, serve as the fundamental principles for creating working conditions.

Flexi Working Policy

The policy was launched and well adopted across the network. Its implementation was highly visible in 2021 especially during COVID-19 pandemic, Sundays & Public Holidays operating branches and 24/7 operating units.

Employee Recognition Scheme

We successful rolled out Employees Recognition Scheme which aimed at recognizing and motivating staff who demonstrate exceptional performance across the bank. The scheme serves to reinforce enthusiasm, commitment and creating a positive working environment that encourages employees to thrive. The scheme focuses on cost efficiency, service delivery, sales (i.e., deposit/revenue generation), innovation and creativity, individual performance and demonstrating NMB values.

Mobile Learning App

We successful rollout of e-learning mobile app which is expected to boost e-learning utilization. This a new way to get access to a variety of content available online through the use of a mobile and it will increase learning flexibility and in turn improved completion rates. Through the rise of Millennials and as Baby Boomers speed toward retirement and Gen Xers approach middle age, a vast and younger generation is entering the workforce. Several global surveys have revealed that employees would be more likely to use their company's online training tools if the content was broken up into multiple shorter lessons.

Employee Wellbeing

Helping our employees to stay safe, fit, and healthy is a priority for us. It contributes to productivity, reduces absenteeism, and creates an attractive working environment for all employees. In 2021, **more than 1,000 employees** utilized our wellness services through Staff Wellness Program. Most of them were counselling sessions (both face-to-face and telephonic) as well as pre-retirement trainings.

Special awareness sessions were organized across the network specifically in COVID 19 vaccine. Also, a total of 116 trainees (interns and field students) attended sessions aimed at inducting them into the working environment to ensure smooth transition from university life and culture to the corporate environment.

Developing Employee Skills & Capability

Building our employees' skills through continuous development programmes is an essential component of driving business performance, and in 2021, we invested more than TZS 3.6 bn in staff training. Our programmes took many forms, from structured learning and formal training to personal coaching and mentoring.

Internal Growth & Promotions

In 2021 we supported our employees in continuing their professional and personal education throughout all phases of their careers. This is because well-developed and trained staff is crucial for ensuring that Bank's success. We are still committed to the development of our employees' current and future potential within their job roles, through a structured approach and process. More than TZS 150M were paid to different academic institutions in 2021 as part sponsorship to 26 staff through our prevailing Bursary Scheme.

In line with our strategy for promoting internal talents, the average rate of internal recruitment for the entire bank stood at 74% at the end of Q4, 2021 which is 30% increase YOY. The remaining 26% were sourced from external and mostly in roles which requires skills that can hardly be obtained within the bank and entry roles.

Relationship Managers Academy

Relationship Manager role is among of critical roles within the bank and has significant and positive impact to the whole bank in general. Management saw the importance of coming up with Relationship Managers Academy which has been designed to

ensure that the bank have ready-made competent and skilled Relationship Managers across the bank at any point in time.

The Academy was officially launched in 2021 as part of our Talent Development Strategy that aims at proactively creating career paths and ladders for our pool of talent as guided by our MTP 2025. Through HR development programs, the Academy not only train potential Relationship Managers what to expect; but also makes sure they are well coached and mentored.

Branch Managers Academy

Branch Manager role is also among the strategic and critical roles within the bank and has significant and positive impact to the retail banking business and the whole bank in general. One of the strategies to fill the gaps is through internal potential Branch Managers pool, through a Branch Managers Academy. NMB's Branch Managers Academy was therefore revamped in 2021 to ensure that the branch network have ready-made competent and skilled Branch Managers across the branch network at any point in time.

Due to the fact that NMB business is growing as well as there is a staff mobility, there is an increasing need for potential Branch Managers to fill gaps and ensure business continuity. Branch Manager Academy provides a solid process for selecting potential Branch Managers and supporting them into becoming competent and skillful branch managers.

Staff Benefits Enhancement

As part of the Bank's continuous efforts to improve staff benefits, the following benefits and allowance were reviewed in 2021.

- Enhancements on staff mortgage features by introducing two new products which are construction and refinancing.
- Introduction of Staff Bima Loan to all eligible staff
- Increase of transport and fuel allowance to all eligible staff
- Increase of Saturday allowance to all eligible staff from the previous TZS 30,000 to TZS 40,000.
- Change of salary account from normal personal account to staff account for fixed term employees
- Inclusion into hardship allowance (for fixed term employees working in branches categorized to in hardship)
- Inclusion of fixed term employees into the staff loan
- Inclusion of fixed term employees into prevailing medical insurance scheme
- Consideration of fixed term employees into salary inflationadjustment.
- Payment of end of year token of appreciation paid to employees with permanent, fixed, and outsourced contracts.

Career Fair Program

Through our 2021 Career Fair Program, we visited universities in 6 regions across the country. This was one of the rare opportunities for talent scouting, products awareness but more on positioning the bank's image to the next generation of working class. we reached and impacted over 6000 youths across the 6 regions with career tips, innovation, and entrepreneurship awareness.

We witnessed high level of institutional engagement which opened doors to future partnerships both as financial partners as well as academic/career enhancement opportunities. Also, it contributed towards increasing loyalty in Mass, one of the thrusts towards our Winning Proposition as the number of attendees way exceeded expectations as compared to previous years. Among the other benefits of these events were mass account opening (710 Chap Chap + 158 Mwanachuo), NMB Mkononi activations, and improved stakeholder engagement with universities.

Culture Transformation Program

After the successful launch of the program in Nov 2020, it took off in Q1 2021 after the culture diagnosis phase where the initial survey was deployed, and it provided an opportunity to all staff to express their opinion regarding a wide range of topics that covers the way we do things generally. Data was then collected and assessed against the given parameters.

Completion of data collection and assessment phase was followed by Leadership Alignment sessions with all EXCO members and Heads of Departments. Different workshops were also carried out for Change Agents across the network. Several interventions were developed and assigned to respective stream leads with different time-lined closure plans. The project team introduced Change Management Team weekly meetings for interventions and progress review. Also, there were monthly PwC Meeting for alignment, weekly alignment sessions with stream leads and Bi-weekly update with HR Champions.

SUSTAINABILITY REPORT

Ensuring our Sustainability

To us, sustainability thinking is about ensuring the long-term value creation of the bank through the sustained creation of value for our valued stakeholders.

This approach requires active consideration of the relationships between our various operating and functional units and the capitals that the bank uses to create value. NMB Bank is committed to embedding the sustainability principles in its business. The extension of this, sustainability reporting, allows us to communicate our commitment to creating long-term value for all our stakeholders, and to highlight progress we have made thus far.

We have structured this report by looking at our entity model, in terms of the inputs (in the form of the key capitals) required in order for us to do business and generate long-term value; material issues driving our strategy, our impacts (positive and negative), and how they respond to the needs of our key stakeholders.

It is our great hope that this report will be useful to our existing and prospective investors, but also for our diverse range of other stakeholders, and provide them with accountability measures, transparency and a clear picture of the issues that affect us the most.

Material Issues

Definition

An issue is material if it has potential capacity to affect the bank's strategy execution, with impact on performance and the bank's ability to create value in the short, medium, or long-term. We identify material issues so that we can make informed decisions on risks and opportunities inherent to our business.

Identification

The process of identifying and determining matters that are material to the Company and our stakeholders is dynamic and is based on formal and informal stakeholder feedback, as well as integrated sustainability thinking.

Response

In response to these material issues, our strategy is designed to mitigate such risks and create sustainable value to our stakeholders in the short, medium, and longer term.

Our material matters and key strategic areas, including short- to medium-term execution areas and targets are discussed in this report.

Uncertainty in the future macro-economic conditions

Owing to prudential policy reforms, Tanzania has been a macro-economic success story for nearly two decades. Nevertheless, downside risks remain. Tanzania economic outlook is clouded with significant headwinds amid new waves of COVID-19 infections, lingering supply-chain challenges and rising inflationary pressures across the globe. However, a recovering tourism sector, public investment, accommodative monetary policy, and government expenditure in the construction sector will support Tanzania's economy in 2022.

How we are responding:

- We continue monitor our macro-economic landscape by identifying risks, opportunities and taking necessary strategic actions requisite for sustainable growth.
- We model certain scenarios and conduct stress-tests to ensure that the Bank is well positioned to respond to potential macro-economic challenges.

Increased competition and evolving customer trends

The competition within the banking industry in Tanzania as customer demands, and technological disruptions intensify. Banks will now compete on their capability to interpret customer needs, provide solutions through innovative and cutting-edge product and services, and deliver this through technological advancements. There will also now be a greater focus on non-funded income as banks focus on revenue generated from fees and commissions which are heavily reliant on the ability to satisfy and exceed customer expectations. We also continue to face competition from FinTech's whose core strength is innovation but are comparatively less regulated in comparison to the banking sector.

How we are responding:

- We actively monitor changes in customer preferences, products, technologies, and distribution channels and continuously improve customer experiences with market leading innovation.
- We invest in people and key areas of technology capability that are critical to our value proposition to customers, including cyber-security, digital channels, data and analytics.
- We are investing in emerging technologies to ensure that the way we operate and the solutions we provide to our customers is industry leading.
- We invest in productivity to optimize our cost base and continue to remain competitive for our customers.

Increasing regulatory activity

The financial sector remains one of the most regulated sectors in the world, and Tanzania is no exception. This level of regulation is indeed very necessary as bank's hold customers' money and manage wealth in trust. Across the financial services industry, all stakeholders are working with a shared objective which is to protect and enhance the stability of the sector and to continuously raise the bar in terms of upholding the highest control and governance standards. The Bank of Tanzania continue to provide strong supervisory role on banks with through regulations and continuous monitoring activities with emphasis on strengthening portfolio quality (measures to address Non-Performing Loans). governance, liquidity, and capitalization.

In November 2021 the Bank of Tanzania issued a Circular to Banks highlighting measures to address the issue of high non-performing loans in the banking sector. Further, in 2021, the Bank of Tanzania has also issued the Banking and Financial Institutions (Corporate Governance) Regulations, 2021 which sets forth new corporate governance requirements for Banks and Financial Institutions in line with the global best corporate governance norms.

How we are responding:

- We allocate a material proportion of our investment budget to regulatory compliance and risk prevention initiatives and engage with policy makers and communities to advocate for appropriate regulatory reform.
- We maintain constructive and proactive relationships with key regulators.

Digital disruption, reliance on innovation and intensified competition

Since the 2007-2009 financial crisis, major changes have taken place in the banking sector in recent years. Particularly, the speed of the different new digital technologies and of the acquisition of users associated to them has accelerated markedly. Customers now have new service expectations in terms of user-friendliness, of the interface and transparency. To this end digital technology is having a large impact in terms of increasing competition and contestability in the banking sector. The ongoing digital disruption requires competing banks to move toward a customer-centric platform-based model, and this transition requires both high level of agility and investment commitments.

How we are responding:

- We invest in key areas of technology capability that are critical to our value proposition to customers, including cyber-security, digital channels, data and analytics.
- We are investing in emerging technologies to ensure that the way we operate and the solutions we provide to our customers re best in class.

SUSTAINABILITY REPORT

Our Socio-economic Impact

Being the leading bank in Tanzania, we seek to fulfill our goal of being a strategic ally in the economic, and social development of Tanzania.

In recognition of our responsibilities as a vehicle for sustainable social-economic prosperity in Tanzania, our goals extend beyond financial dimensions. Our operations are having profound impact on the economy and the broader society, and our services enhances our relevance by creating positive value and impacts on our key stakeholders. Further, Observing the principles of sustainable banking, NMB Bank, as a responsible financial intermediary, aims to promote the United Nations' Sustainable Development Goals (SDGs) through both our provision of products and services and our business operations, all undertaken with a sense of social and environmental responsibility and stewardship. NMB Bank holds strong to our conviction in continuing to grow our business, while fulfilling broader development goals which include financial inclusion, poverty alleviation, economic development.

Social Impact Initiatives

tzs 2 billion+

NMB is committed to supporting the country's social-economic development agenda by:

Promoting employment through job-creation

Increasing women and youth participation in businesses and promoting gender equality

Improving sustainability of the environment and natural resources

Supporting growth and development of agriculture sector

Improving access to finance to widen financial inclusion

Improving overall access healthcare

Supporting conducive learning environment

We provide convenient and affordable access to Finance

Access to financial services is a key building block for socio-economic transformation of society including enhancing livelihoods, reducing inequality, and driving economic growth. Our credit and savings products enable individuals (both youth and adults) and businesses to progress, leading to improved living standards, creation of jobs and wealth and economic growth. Accessible, convenient, and affordable banking services has seen our customer base growing to over 4 million as at end of December 2021 representing the biggest base in the country.

Further, provide finance through the entire spectrum of national projects to small and medium enterprises, ensuring we reach out to all segments of business community. In addition, while we pay great attention to the economic benefits that accrue from our financing, our goals extend beyond economic and financial dimensions, to include environmental, social, and governance considerations. We believe that sustainable development is fundamental for long term prosperity and shared value creation.

Strong commitment toward agriculture financing

Agriculture is the mainstay of the Tanzanian economy. It employs more than 75% of the population and the sector is one of the biggest contributors of Tanzania economy contributing more than 26% of Tanzania's Gross Domestic Product (GDP). Our financing seeks to scale up agricultural productivity and improve agriculture value chains.

Our focus and contribution in the agriculture sector continued during the year, whereby we were the first bank to set aside a special agriculture fund (TZS 100 bn) for lending in the agriculture value chain at interest rates not exceeding 10 percent.

To this end, on a YoY basis, we witnessed strong performance in Retail Banking, Agriculture loans which grew 68% YoY. The strong asset growth is indicative of the Bank's commitment towards financing the agriculture value chain, with a view of spurring socio-economic growth.

Community investment in Education, Healthcare and Environment

NMB Bank's mission is to be the bank of choice, delivering innovative and transformative customer experience that promotes financial inclusion and well-being. The implementation of this mission "delivering Human development and social inclusion", amongst the objectives of the strategy of NMB Bank is the support of efforts that lead to reduction of poverty, inequality and in a focused manner contribute to Tanzania's socio-economic prosperity. Within its priorities, NMB Bank has the objective of financing Country's social programmes, as well as strengthening the portfolio of its social investments within sustainable development scope.

Our Corporate Social Investment (CSI) is anchored on five pillars, education (and financial literacy), health, environment, agriculture, and entrepreneurship. In line with our community impact commitment, we continue to invest heavily in various social impact programmes by setting aside 1% of the bank's profit after tax every year. In 2021 we spent over TZS 2 billion towards various social impact initiatives.

Economic output through employment creation and tax payments

As an Enterprise embedded in the Tanzanian economy, NMB Bank also creates socio-economic impact through job creation. The bank has a direct, indirect, and induced effect on employment in Tanzania. The Bank is one of the largest employers in Tanzania, with a total employment workforce of 3380 as of December 2021.

In line with our sustainable growth, the Bank's Tax payment to the Government has consistently grown, reflecting increased overall value creation from a tax perspective. In 2021, the Bank was recognized by the Tanzania Revenue Authority (TRA) as the first large Taxpayer in the Financial Institutions Category, and 3rd biggest Taxpayer in the Country.

Our Impact in the Community

Our Community Impact

NMB Bank firmly believes in acting as a responsible corporate citizen to support the country's overall socio-economic development.

Since our inception, we have always strived to be a more responsible bank, whose operations create a positive imprint in the society. We have continuously identified meaningful ways to address the most pressing challenges faced by the poorest and most marginalized communities in Tanzania. Consistently, we have placed special emphasis on investing in Education, Health, Agriculture Development and Environment.

The bank supports the communities in which we operate through various social programs which continue to uplift lives and support the most vulnerable members of society. In 2021, the bank allocated TZS 2.058 billion (2020: TZS 1.421 billion), being 1% of the bank's previous year's profit after tax, towards various CSR initiatives across the pillars of education, health, financial literacy training, and disaster recovery.

Our **Corporate Social Investment** Priorities

Our CSI commitment

1% of PAT

allocated towards supporting CSI initiatives

Education

Over **83,000 desks** and **1,390 computers** donated to empower students

Environment

Supported initiative to plant **10,000 trees** to help restore biodiversity

Health

Provided medical supplies & equipment to support over **600 health facilities**

Agriculture

Over **1.4 mln farmers** supported through Agri programs

Entrepreneurship

8,000 businesses trained via Business Clubs

Over **400,000 farmers** benefited through capacity building programs

Sandbox launch to spur digital innovation

SUSTAINABILITY REPORT

The NMB Foundation

To broaden impact to our communities and further spur socio-economic development in the country, we established the NMB Foundation as a vehicle that can expand Corporate Social Investment (CSI) agenda by focusing on the key five pillars of Education, Health, Agriculture, Environment, and Entrepreneurship.

With the launch of NMB Foundation, the Bank will scale up its support for communities in Tanzania and make an even greater impact in addressing the nation's evolving community needs. While the foundation's objectives are expected to evolve over time, in the foreseeable future, it intends to catalyze social innovation in these key strategic pillars to bring desired change for our communities.

The long-term plan for NMB Foundation will focus on implementing key programs in collaboration with reputable strategic partners who have strong track record in supporting the Tanzania Government to achieve the goals of the National Development Vision 2025; that is to ensure high-quality livelihood, a well-educated and learning society, and a strong and competitive economy for Tanzania.

RUN For a Cause - NMB Marathon

NMB Bank in partnership with CCBRT hospital organized a Run for a Cause marathon "NMB Marathon – Mwendo wa Upendo" to support treatment for women with fistula. The event was graced by the Prime Minister of the United Republic of Tanzania, Hon. Kassim Majaliwa Majaliwa, as guest of honor. NMB bank committed to restore the smile of these women by collecting a total of 1BN in a span of two years where for the first we have collected and disbursed 400M to CCBRT hospital.

Donations

We supported creation of good learning environment to public primary and secondary schools in the country through provision of desks, lab stool, and shelves to ensure students study comfortably. About 160 schools supported with 8000 desks to benefit over 32,000 students. 280 double decker beds benefited 500 students in boarding schools while 117 school and health received roofing materials like nails, Iron sheets and softwood.

Our Commitment to the SDGs

Our Commitment to ESG

NMB Bank, through its efforts seek to fulfill its goal of being a strategic ally in the economic, environmental, and social development of Tanzania.

In recognition of our responsibilities as a vehicle for sustainable social-economic prosperity in Tanzania, our goals extend beyond economic and financial dimensions, to include environmental, social, and governance challenges. Observing the principles of sustainable banking, NMB Bank, as a responsible financial intermediary, aims to promote the United Nations' Sustainable Development Goals (SDGs) through both our provision of products and services and our business operations, all undertaken with a sense of social and environmental responsibility and stewardship. NMB Bank holds strong to our conviction in continuing to grow our business, while fulfilling broader development goals.

SDG 1

No Poverty

According to the World Bank, the economic and social disruptions induced by the COVID-19 (coronavirus) pandemic have eroded progress in poverty reduction in the world with profound impact on developing countries. In 2021, Tanzania's economic growth averaged 5.7%, placing Tanzania as one of the fastest growing economies in Sub-Saharan Africa. Sustained growth, albeit at a slower compared to pre-pandemic era has been boosted by prudential macro-economic policies adopted by the government, rebound in economic activities and stronger government expenditure in construction sector.

As a vehicle for sustainable social-economic prosperity in Tanzania, the bank continues to use financial services and non-financial means to contribute to the poverty alleviation agenda by offering multiple pathways out of poverty. The bank leverages on the provision of accessible and affordable banking services as a tool for poverty eradication.

Harnessing the power of vast network, and a strong funding base, NMB Bank issued loans amounting to over TZS 4.3 Trillion to economically inclusive segments of the economy including agriculture, SMEs, and personal segments. These loans not only directly impacted financially impacted the recipients but had strong multipliers' effect to the economy and society.

SDG 2
Zero Hunger

To ensure food security in Tanzania, NMB bank continues to give agriculture a high priority. The bank's commitment to the agriculture value chain is second to none, and through agriculture loans and value chain financing approach, the bank has disbursed over TZS 1.5 trillion in the past 5 years.

The bank also continues to equip players in the agriculture value chain with skills and expertise which will aid the farmers to increase productivity and profitability through the adoption of value-added agricultural practices.

Additionally, the Bank also drives financial inclusion of small holder farmers through a financial inclusion program whereby:

Farmers supported
1.4 million+

- Farmers Organizations for NMB WAKALA
- Capacity-building for farmers and Farmer Organizations through NMB Foundation for Agricultural Development

SDG 3
Good Health and Well-Being

The bank provides Health systems development Investments to finance construction, operation, maintenance, improvement, and development of healthcare institutions. By doing this contributes to its aim of improving access to high quality and standardized health care, enhancing quality of life, and contributing to a healthier future

Further, through its CSI pillar of healthcare, the bank also provides healthcare attention equipment and/or services, healthcare prevention equipment and/or services. Provision of complete set of hospital equipment and facilities has impacted over 14,000 people across the country.

By leveraging on NMB Bancassurance, the Bank continues to offer medical insurance products targeting Tanzanians across the whole country.

SDG 4
Quality Education

NMB Bank provides parents and education institutions with loans to support access to education as well as infrastructure development.

The bank also creates a conducive learning environment in local schools as it backs national efforts for quality education by addressing shortage of school desks, laboratory stools and setting gas system for chemistry and mathematics labs in secondary schools. In 2021, over 32,000 school children benefited from supply of over 8000 pieces of school desks. We also empowered over 10,000 youth and adults with requisite financial literacy through our financial Education program.

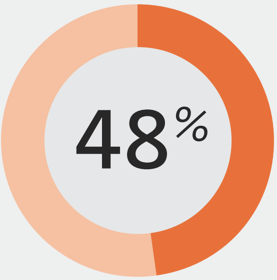
School Children	School Desks	Benefited from Education Program
32,000	**8,000**	**10,000**

SDG 5
Gender Equality

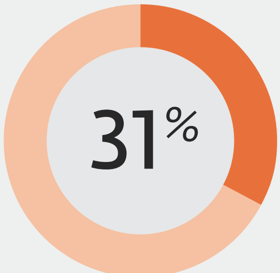
NMB Bank champions and advocates for gender equality through its Internal Policies, Social Programmes, Products and Services. For example:

- **HR Practices:** The Bank aims to see women, just like men, achieve their career goals in the Bank through deliberate efforts around performance management, coaching, and mentoring. As at the end of December 2021, the Bank had a female ratio of 48%, with 31% female representation at leadership levels.
- **Mwanamke Jasiri:** A women proposition product to ensure women entrepreneurs and salaried workers have easy access to financing solutions including a platform for financial training.
- **Jasiri Bond:** Aims at driving gender equality through economic empowerment of women

Bank's Female Ratio



Female Leadership Roles



SDG 9
Industry, Innovation, and Infrastructure

NMB Bank is at the forefront of innovation in Tanzania. Our focus is on delivering digital solutions that will continue to position us as the leading financial service provider in Tanzania.

The number of accounts being opened in our digital channels consist of 70 percent of the total account opened, which has allowed us to grow our customer base to over four million accounts as of December 2021.

Digital channels transactions currently account for 94 percent of all transactions done in NMB. The number has been growing year on year by 24 percent while branch transactions dropping by 10 per cent. This demonstrate a big shift towards digital technologies which are necessary tools on driving the financial inclusion in the country especially for the unbanked population.

With over 94 percent of customer transactions happening outside the branches, it means less cost to serve customers and we have transferred these cost savings benefits to our customers where we are now able to offer more services at a lower cost hence advancing the digital inclusion in the country.

We also have a few solutions in the offing, including mobile lending and an enhanced agency banking platform, which would support the scale and widen access to financial services.

Through CSI, the banks also support National ICT by providing computers to public primary and secondary schools in the Country to help improve ICT subjects in schools.

SDG 10
Reduced Inequalities

The bank understands that social economic inequality limits individual and collective potential, hence stifling sustainable development. In Tanzania, inequality significantly affects disadvantaged young people who often cannot access the skills and opportunities needed to close the income gap.

Youth employment remains a major challenge, both at global and national level. In Tanzania youth unemployment stands at 11.5 per cent. This is despite the high rates of economic growth in the past decade averaging 7 per cent. NMB Bank funds programmes in the areas of education and financial inclusion, agriculture and entrepreneurship.

Our debut Jasiri Bond, also is aimed at economic empowerment of women, hence further reduction of inequalities.

SDG 11

Sustainable Cities and Communities

Like other developing countries, Tanzania is facing challenges occasioned by rapid urbanization. According to United Nations Population Division, as of 2020, 35.2% of Tanzania's total population lived in urban areas and cities.

NMB Bank supports the Government of Tanzania to improve living conditions through the provision of loans for sustainable mortgages/ real estate sector.

SDG 12

Responsible Consumption and Production

A key tenet of this goal is to support the attainment of economic growth and sustainable development while reducing our ecological footprint.

SDG 12 aims to reduce the world's ecological footprint by fostering sustainable ways to produce and consume goods, services, and resources. The efficient management of shared natural resources, and the reduction of toxic waste and pollutants throughout the entire production and consumption process, are critical to attaining sustainable development.

NMB Bank has committed to better understanding the impact of our own operations (Scope 1). lending activities and to working with clients (Scope 3) to drive sustainable progress. To this end, the bank continues to integrate environmental consideration in its lending practice.

Our Commitment to Governance and Ethics

Strong Governance Principles and Ethical Standards

At NMB Bank, we firmly believe that strong Corporate Governance and Ethical standards are essential components in the delivery of sustainable stakeholder value. Therefore, NMB Bank is committed to the highest standards of governance, ethics, and integrity.

We remain committed to the application of and adherence to the principles of good governance enshrined under the Banking and Financial Institutions (Corporate Governance) Regulations, 2021. The Bank has reviewed its current practices to ensure alignment with the Corporate Governance Regulations, 2021 recommended practices associated with each principle.

However, complying with corporate governance standards is simply not enough. Effective governance also requires that our ethical standards and values fully support them.

Our code of conduct – is a source of support for NMB Staff in our day-to-day activities, and in all aspects of our working lives. That is the case whether we are interacting with other colleagues, with our customers and clients, with governments and regulators, business partners, suppliers, competitors, or the societies and communities in which we live and work. They govern our conduct throughout the period of our Employment with the Bank.

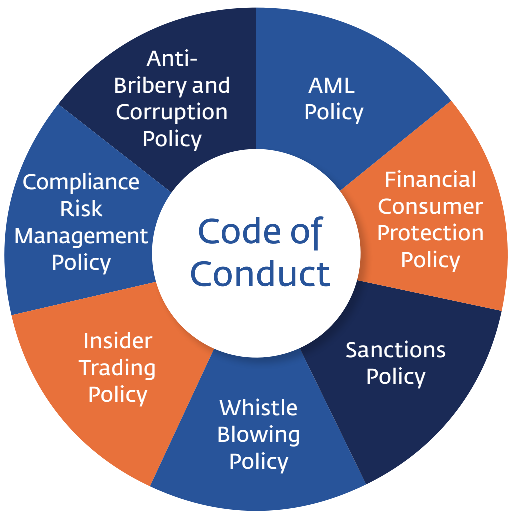
The Code is based on our Values of Customer Focus, Innovation, Compliance, Teamwork, Integrity – and helps us to think about how to apply the right behaviours in everything that we do.

NMB's Values

All NMB Employees are required to model the highest standards of ethics, compliance, and conduct by living the five (5) NMB Values which remain the fundamental core of our bank going forward for a sustainable growth.

Policies and Procedures

There are various mechanisms in which ethics are governed to minimize the risk to the Bank and to comply with relevant regulatory requirements and codes of best practice. At NBM Bank the following policies and procedures amongst others are in place:



Protecting Our Environment

Protecting Our Environment

The World Bank has estimated that the economic cost of environmental degradation in developing countries has reached four to eight percent of GDP annually.

With our operations across every district in Tanzania, we therefore consider climate change as one of the greatest challenges, given its wide-spread and proven impacts on physical environment, human health, and economic growth.

In this regard, behaving in a responsible and sustainable way is fundamental to achieving our mission of being the bank of choice, delivering innovative and transformative products and solutions that leaves a sustainable imprint in the society.

Our Carbon Footprint

As a leading bank, we recognise that the bank's potential adverse environmental and social impacts are both direct and indirect.

Clear understanding of the bank's impact on environment is critical in our efforts to reduce emissions we add to the atmosphere while increasing the amount we remove, so we achieve a net zero in our operations and supply chain by 2050.

- The bank directly contributes to global carbon emissions, through direct GHG emissions from sources that are owned or controlled by the bank. These direct emissions ("scope 1") include our building gas use, fuel use, and refrigerants.

- The bank also contributes to GHG emissions (energy-related emissions "scope 2") from the use of electricity across our extensive network of Branches, ATM sites, and Agencies.
- The bank contributes to GHG emissions through our upstream and downstream value chain (e.g., suppliers and distributors), business travel, and through our lending exposures (indirect emissions or "scope 3").

Our Climate Action Efforts

To ensure sustainable growth of the organisation and its dependencies, the bank is committed to playing its part by cutting the carbon emissions of its operations. Our Sustainability transformation agenda set forth clear emission reduction targets to govern our aspiration. Our action plan is framed around interdependent areas for action, geared towards mitigation of climate change.

1 Operational impact

Towards protection of its natural capitals, the bank uses integrated mitigation strategies that combine, measures to reduce:

- Energy consumption
- Paper consumption
- GHG intensity of end-users in its upstream and downstream value-chain

2 Sustainable lending

Our climate actions go hand in hand with measures to integrate environmental related risks and considerations into our strategic focus, and daily operations. NMB Bank has an Environmental and Social Impact Management Policy that includes processes to ensure that credit decisions and projects financed consider the analysis of environmental and social risk factors. The Bank identifies and manages E&S risks across its portfolio by using E&S risk assessment tools which are integrated in the Bank's loan approval process to assess the E&S risk profiles of the potential its customers and related projects that are financed by the Bank.

The Environmental and Social ("E&S") risk assessment tools are integrated in the Bank's loan approval process to assess E&S risks profile of the potential customers and projects. In addition, the Bank's Environmental and Social Impact Management Policy (E&S Policy) continues to serve as the principal policy during the loan evaluation process to guide the E&S impact assessment.

3 Employee participation

Further, we are also committed to working with our customers, colleagues, and communities to support their transition to a resilient, net zero economy by 2050, in line with the global coalition for carbon neutrality and UN Sustainable Development Goals. We have supported different initiatives in line with climate change:

- Our participation in the Tigo Go green initiative challenge has helped to create awareness on tree planting around Mt. Kilimanjaro in order to address biodiversity loss and restore ecology around the mountain by planting 200 trees.
- As a pioneer for sustainable development, the bank also supported afforestation initiative in Morogoro region by planting 100 trees around Sokoine Agriculture University (SUA)
- Supported Habari Development Association tree planting initiative around Dodoma city on their goal was to plant 10,000 trees. This initiative was championed by the former Prime Minister of the United Republic of Tanzania Hon. Mizengo Pinda.
- Inline with the celebration of 60 years of Independence, the banks supported the Regional Commissioner's cleanness initiative by placing a total of 240 dustbins worthy 33.6M in hospitals, bus stands and marketplaces in all Districts in Dar es salaam city. Together with this our employees spend their time and efforts to volunteer in cleaning the environment in public areas like beaches and markets as organized by respective District Commissioners.

CORPORATE GOVERNANCE & LEADERSHIP

Corporate Governance Statement

We are committed to high standards of corporate governance. NMB Bank Plc ("NMB Bank") has a comprehensive range of policies and procedures in place designed to ensure that it is well managed, with effective oversight and controls.

The Board of Directors ("Board") of NMB Bank see governance as promoting strategic decision making that balances short, medium, and long-term outcomes, and safeguarding interests of the Organization, and the society in which we operate to create sustainable shared value.

Directors have a statutory duty to promote the success of the Company for the benefit of its stakeholders. In promoting the success of the Company, Directors must have due regard to the long-term consequences of their decisions, the legitimate interests of employees, the need to foster effective business relationships with suppliers, customers and various stakeholders, the impact of the Company's operations on the community and the environment, and the desire to maintain a reputation for high standards of business conduct.

The Board is committed to ensuring that NMB Bank complies with the laws, regulations and standards applicable to it. The Board ensures that high standards and practices in Corporate Governance and more specifically the principles, practices and recommendations set out under the Code of Corporate Governance Practices for Listed Companies, 1994 (CMSA Principles of Good Corporate Governance Practices), the Corporate Governance Guidelines as prescribed by the Bank of Tanzania being the primary regulatory authority of NMB Bank as well as the Companies Act, 2002 (CAP 212) are adhered to.

The Board believes that good corporate governance is the core driver of sustainable corporate performance and creates shared value by ensuring the right balance between organizational growth and long—term stakeholder value.

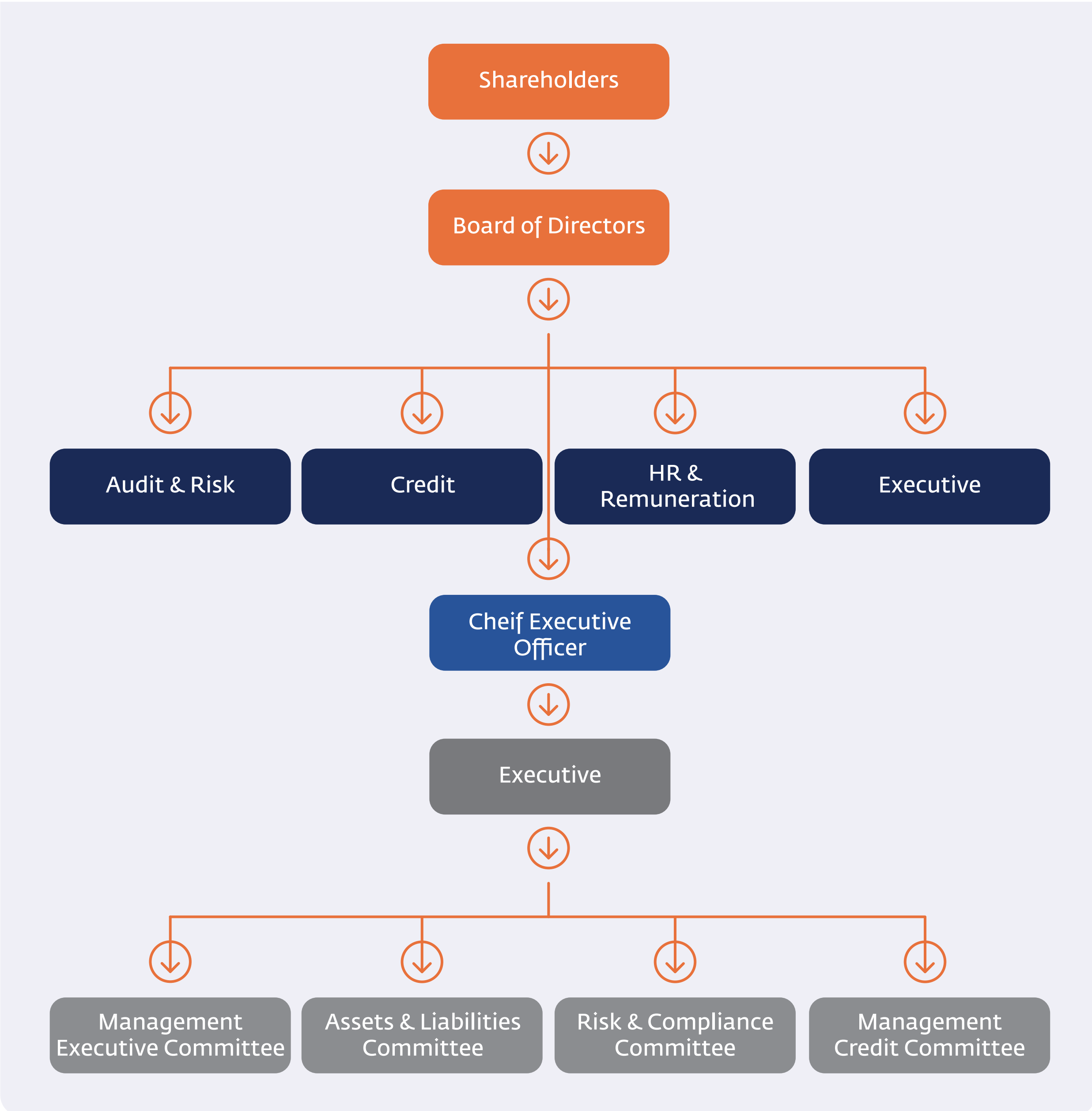
The Board of Directors at NMB Bank, regularly reviews its corporate governance arrangements and practices and ensures that the same reflects evolving good corporate governance norms, the developments in regulation, best market practice and stakeholder expectations. Our corporate governance framework enables the Board to oversee the strategic direction of the organization, financial goals, resource allocation, risk appetite and to hold the executive management accountable for execution.

This statement details the key corporate governance arrangements and practices of NMB Bank Plc and its affiliate companies (hereinafter, the "Bank"). The statement sets out the key components of NMB Bank Plc's corporate governance framework, which provides guidance to the Board, management and employees and defines the roles responsibilities and expected behaviors and conduct standards.

Governance Structure
Governance framework

NMB Bank operates within a clearly defined corporate governance framework which provides for delegation of specific mandates (as may be necessary) and clear lines of responsibility without abdicating the responsibility of the Board. Through the framework, the Board sets out the strategic direction of NMB Bank while entrusting the day-to-day management of the business and the implementation of the Bank's strategy to the Executive Management Team led by the Chief Executive Officer ("CEO"). The Board operates through four committees mandated to review specific areas and assist the Board undertake its duties effectively and efficiently.

The fundamental relationships between the shareholders, Board, Board Committees and Executive Management is illustrated below:



The Board Charter is regularly reviewed by the Board and provides for a clear definition of the roles and responsibilities of the Bank's Chairman, directors as well as the Company Secretary. The roles and responsibilities of the Bank Chairman and the Chief Executive Officer are separate and distinct with a clear division of responsibility between the running of the Board and the executive responsibility of strategy execution and running of the business.

The Board

NMB Bank Plc is governed by a Board of Directors ("The Board"). 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 Annual General Meeting (AGM) for approval and appointments are submitted to BOT for approval.

The Board is accountable to the shareholders for the overall Bank's performance and is collectively responsible for the long-term success of the Bank. The Board 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.

Board's role and Directors' responsibilities

The Board, led by the Board Chairman, is responsible among other matters for:

- Promoting the Bank's long-term success and delivering sustainable value to shareholders.
- Establishing and approving the Bank's strategic and financial plans to be implemented by management.
- Setting the Bank's risk appetite and monitoring the Bank's risk profile.
- Overseeing the Risk Management Framework and its operation by management.
- Approving capital expenditure for material transactions.
- Reviewing succession planning for the management team and makes senior executive appointments, organizational changes and high-level remuneration issues.
- Providing oversight over performance against targets and strategic objectives
- Providing oversight over reporting to shareholders on the direction, governance, and performance of the Bank as well as other material events that require reporting and disclosure.

Separation of roles and responsibilities

The role of Board Chairman is separate from that of the Chief Executive Officer. There is a clear division of responsibilities between the leadership of the Board by the Board Chairman, and the executive responsibility for day-to-day management of the Bank's business, which is undertaken by the bank's Chief Executive Officer.

Board Chairman is responsible for the strategic leadership of the Board and is pivotal in creating conditions for the overall effectiveness of the Board. The Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and management at the Annual General Meeting and other shareholder meetings.

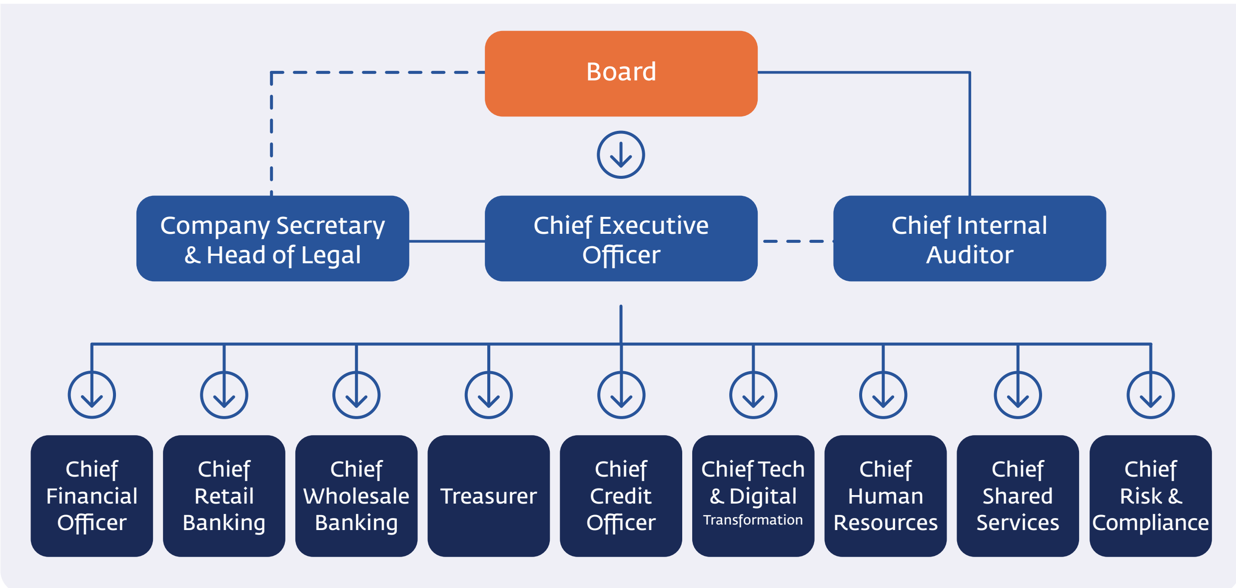
Chairman	• Responsible for leading the Board, its effectiveness and setting high governance standards • To ensure effective communication with shareholders and, where appropriate, the stakeholders. • Upholding rigorous standards of preparation for meetings, and ensuring that decisions by the board are executed
CEO	• Responsible for the executive responsibility for day-to-day management of the Bank's business • Recommending Bank strategy to the Board and ensuring that the strategic objectives and Board's directives are implemented through the Executive Committee.
Non-Executive Directors	• Responsible for ensuring that the Bank has in place proper internal controls as well as a robust system of risk management. • To support the development of proposals on strategy, hold management to account and ensure that they discharge their responsibilities properly, while creating the right culture to encourage constructive challenged
Company Secretary	• Provides support and guidance to the Board in matters relating to governance and ethical practices. • Also responsible for induction programs of new directors, keeping board members abreast of relevant changes in legislation and governance principles.

Authority and Delegation

The Board's Charter sets out the Board authority and matters reserved for determination and approval by the Board of Directors. These include decisions concerning strategic direction, medium to long-term objectives of the Bank, capital discussions, financial planning and financial budgets, material contractual arrangements and regulatory approvals. Matters related to the approval of various governing policies, risk management framework and the overall risk appetite of the Bank are also Board reserve matters. In line with Clause 3.0 of the Capital Markets and Securities Act, 1994 (hereinafter, the CMSA Guidelines on Corporate Governance) the Board delegates certain other responsibilities to its committees to assist it in carrying out its function of ensuring effective independent oversight and stewardship. Each standing Board committee is chaired by a non-executive Board member and has a remit to cover specific topics in accordance with their respective terms of reference.

Further details of the Board committees including their respective roles, key responsibilities, composition and membership are provided in the subsequent sections of the report.

The Board also delegates authority for the operational management of the bank's business to the Chief Executive Officer for further delegation by her in respect of matters that are necessary for the effective day-to-day running and management of the business. The Board holds the Chief Executive Officer accountable in discharging her delegated responsibilities. The scope of, and limitations to, these delegations are clearly documented in various policies and cover areas such as operating expenditure, capital expenditure and investments. These delegations aim at creating a desired balance between effective oversight on one hand with appropriate empowerment and accountability of senior executives of the Bank on the other.



Management Committees/ Executive Committees

The Board has put in place key Management Committees with defined terms of reference and scope of authority and reporting structure. The key Management Committees include the following:

- **The Executive Committee (ExCo):** The committee is constituted to assist the CEO in day to-day management of the bank's business, including formulation and implementation of business strategy and policy. This Committee is chaired by the CEO and includes Executives overseeing the bank's functions and Heads of Departments co-opted from time to time.

- **Retail Credit Committee and Wholesale Credit Committee:** Mandate is to receive, review, and consider material, high-value and sensitive credit cases and matters under two committees, for Retail Banking and Wholesale Banking.

- **Asset and Liability Committee (ALCO):** This Committee is responsible for assisting Management in the overall management and strategy on the balanced mix of assets and liabilities, encompassing interest rates structures, liquidity, foreign exchange exposure, investment of surplus funds and capital adequacy.

- **Risk and Compliance Committee (RCC):** This committee is responsible for ensuring the embedment and maintenance of effective control of risks in the Business by implementing ERMF. The committee also oversees the management of the Business risk profile and provides assurance on the design of the governance and control framework and the operational effectiveness of internal controls.

- **Management Tender Committee (MTC):** This Committee has as its primary mandate to receive, consider and approve capital and recurrent expenditure with reference to approved budget limits and annual cost efficiency targets.

- **Management Disciplinary Committee:** This committee receives, and reviews staff disciplinary cases referred by Human Resource Function and makes necessary decisions in line with the bank's policies, procedures, and the country's labor laws.

- **Management Legal Committee:** This committee has the overall responsibility to assist the Management in:

    - Overseeing the provisioning of all cases and contingent liabilities involving the Bank.

    - Periodically reviewing legal matters, including key litigation, regulatory compliance and risk mitigation issues, concerning the Bank.

    - Approving a panel of external law firms to support the Bank in matters of substance and specialization on an on-going basis as further provided in the Legal Manual & Legal Policies.

    - Ratifying special approvals.

Director Independence

The Board recognizes the importance of objective judgement, independent thinking, and constructive debate on all issues under Board's remit of consideration. Directors are expected to bring views and judgement to Board deliberations that are independent of management and free of any business relationship or circumstances likely to impair any individual non-executive director's independent and objective judgement.

The Board Charter, prepared in line with the Prudential Guidelines for Boards of Directors of Banks and Financial Institutions (2008) issued by the Bank of Tanzania (BoT), provides that a majority of its directors should be independent.

In accordance with the Board Charter, the Board only considers directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the director's capacity to make sound and independent judgments and be able to apply immediate remedial measures when need arises.

The Board considers that there are no relationships or circumstances likely to impair any individual non-executive director's judgement.

Upon completion of their tenures, two Board members stepped down from the NMB Bank Board of Directors during the 21st AGM Meeting of the Bank's Shareholders that was held on the 04 June 2021. Ms. Margaret Ikongo retired from the Board having served as an independent non-executive director for twelve years and Mathias Magwanya after serving on the Board for three years.

Two new non-executive directors, Benson Joel Mahenya, CPA (Independent) and Ms. Theresia Pascal Mihayo, CPA, both with significant professional experience in key areas of Governance, Finance and Audit were appointed to the Board on 04 June 2021. As is good practice, directors stand for (re)election by shareholders at the Bank's Annual General Meetings (AGM) with the support of the Board.

Diversity

The Board considers the diversity of views and experiences as essential for ensuring that all aspects of strategies and plans are fully considered. The combination of backgrounds and experience at the Board ensures that there is a balance of power that stimulates robust challenge and debate such that no individual or group can dominate board processes or decision-making. This is important for sustainable stakeholder value protection.

Board nomination, appointment, and re- election of Directors

The current Board structure comprises of nine non-executive Directors including the Board Chairman. The Board determines its size and composition, subject to the Company's Articles of Association, Board Charter and applicable law.

The Board composition is driven by the following principles:

- The Board must comprise of a majority of independent non-executive directors.
- The Board should consist of directors with a broad range of skills, experience and expertise and be from a diverse range of backgrounds.
- The Chairman of the Board must be a non-executive director.

Succession planning is an on-going process, with the Board discussing the same regularly and through the Board Human Resources and Remuneration Committee (BHRC). The committee is responsible for recommending the procedure for the selection of new directors, the proposed criteria for the selection of candidates with reference to current mix of skills, knowledge and experience.

The committee identifies and nominates a shortlist of candidates and may engage the services of a professional intermediary to assist in identifying and assessing potential candidates. The preferred candidates meet with the members of the HR& Remuneration committee before a final decision is made. Prior to confirmation of appointment, all Directors are required to meet the "Fit and Proper" requirements set out in the Regulatory Guidelines issued by the Bank of Tanzania. The key terms and conditions of a director's appointment are documented in a letter of appointment.

Board induction and training

All newly appointed non-executive Directors participate in an induction program. The induction program which is coordinated by the Company Secretary includes a series of meetings with other Directors, the Chief Executive Officer, and senior executives to enable new Directors familiarize themselves with the business. Directors also receive comprehensive guidance from the Company Secretary on Directors' fiduciary duties, and responsibilities as well as liabilities.

All Directors are expected to maintain the requisite skills and demonstrate ethical standards to carry out their obligations. The Chairman regularly reviews the professional development needs of each Director. The program of continuing education ensures that the Board is kept up to date with developments in the industry both locally and globally.

Training is provided to ensure that the Board keeps abreast with current developments in the market. The impact of the COVID-19 pandemic saw certain planned training sessions being put on hold. However, the Directors completed targeted training sessions during the 2021 financial year. The Trainings include:

- Board Leadership & Corporate Governance Masterclass Africa
- Effective Audit Committees (Online Training)
- Board Directorship October 2021 organized by Institute of Directors Tanzania (IoDT).

I was very pleased with the smooth and thorough management of my induction and overall onboarding process into the Board.

Conversations with the management team were informative and comprehensive. I had the opportunity to understand the Organization, its medium-term and long-term strategic directions and the strength of its risk and governance foundations.

The personalized and interactive learning induction process made me feel very welcomed at NMB Board. I have thoroughly enjoyed the learning curve.

Benson Mahenya
Non-Executive Director

On joining the board, I undertook a wide-ranging and robust induction programme to ensure that I am well placed to make a positive contribution from the onset.

I was very impressed with the content of the programme as it was visibly tailored to meet each director's individual level of experience and expertise.

In my induction the key element of the programme focused on ensuring I develop a detailed understanding of the Business, strategy, and the governance framework, which are key pillars towards sustainable growth of the Bank.

Theresia P. Mihayo
Non-Executive Director

Board Composition

The Bank is committed to ensuring the overall effectiveness of the Board and that it achieves the appropriate composition and balance of directors. The Board comprises a majority of independent non-executive directors who bring a diversity of skills, experience, and knowledge to the discussion, and play an important role in supporting the Board. The non- executive Directors are expected to have a clear understanding of the strategy of the Bank as well as knowledge of the industry and the operating market.

The aggregate mix of skills and experience of the Directors seeks to bring about individual and collective competence requisite in fostering robust and constructive debate, augments and challenges the strategic thinking of the executives thereby adding value to the Bank.

The Board, through the Human Resources committee regularly reviews the skills, knowledge, experience and diversity represented on the Board against the skills and experience needed to deliver the strategy and continues to make efforts on diversifying the skill set and gender.

The current Board composition is as follows:

As of 31 December 2021, the Board comprised the Board Chairman, and 8 non-executive Directors. The table below sets out their roles, responsibilities, and attendance at Board meetings.

Board Chairman	Qualification	Meeting Attendance in 2021
Dr. Edwin Mhede	Economist	14

Responsibilities:

- Provides effective leadership of the Board and promotes the highest standards of corporate governance practices.
- Leads the Board in providing strong strategic oversight and setting the Board's agenda, culture and values.
- Leads the Board in challenging management's thinking and proposals and foster open and constructive debate among Directors.
- Maintains external relationships with key stakeholders and communicates investors' views to the Board.
- Evaluates the performance of the Board, Committees, non-executive Directors and the bank's Chief Executive Officer.

Non-Executive Directors	Qualification	Meeting Attendance in 2021	Responsibilities
Theresia Pascal Mihayo	Certified Public Accountant	12	• Develop and approve the Bank's strategy. • Challenge and oversee the performance of management. • Approve the Bank's risk appetite and review risk profile and performance.
*Benson Joel Mahenya (INED)	Certified Public Accountant	8	
*Dr. George Mulamula (INED)	Computer Scientist	21	
*Leonard Mususa (INED)	Certified Public Accountant	20	
Juma Kisaame	Banker	16	
Christine Glover	Investment Manager	33	
George Mandepo	Lawyer	24	
Hendrick Reisinger	Economist/Banker	31	
Mathias Magwanya	Auditor	9	
Margaret Ikongo	Chartered Insurer	15	

*INED - *Independent Non-Executive Director*

Company Secretary	Qualification	Attendance in 2021
Ms. Lilian Komwihangiro	Lawyer	-

Responsibilities:

- Maintains strong and consistent governance practices at Board level and throughout the Bank.
- Supports the Board Chairman in ensuring effective functioning of the Board and its committees, and transparent engagement between senior management and non-executive Directors.
- Facilitates induction and professional development of non-executive Directors.
- Advises and supports the Board and management in ensuring effective end-to-end governance and decision making across the Bank.

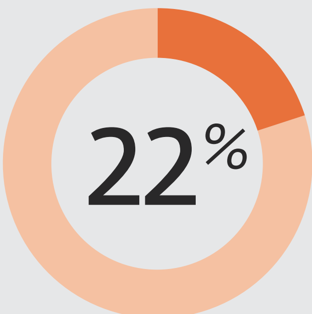
Chief Executive Officer	Qualification	Attendance in 2021
Ms. Ruth Zaipuna	Banker & Certified Public Accountant	-

Responsibilities:

- Leads and directs the implementation of the Bank's business strategy, embedding the organization's culture and values.
- Leads the Management Executive Committee with responsibility for the day-to-day operations of the Bank, under authority delegated to her from the Board.
- Maintains relationships with key stakeholders including the Chairman and the Board.

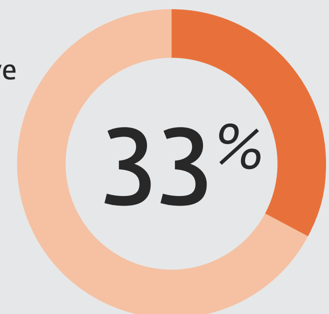
Board Diversity

Females: 2
Males: 7



Independent Non-Executive Directors (INED)

INED: 3



Our Board meetings – operations and focus

To enable the Board to use its time most effectively and efficiently, supported by the Company Secretary, it maintains a scheduled programme of meetings and a rolling agenda. There is sufficient flexibility in the programme for specific items to be added to any particular agenda to ensure that the Board can focus on the key matters at the appropriate time.

The Board meets at least once every quarter, and additionally, when necessary, to consider all matters relating to the overall risk management, governance and control, business performance and strategy of the Bank and succession planning. Performance against delivery of the agreed key financial priorities is reviewed at every meeting.

The Chief Executive and Chief Financial Officer comment on current trading, business performance, the market, employees and relevant stakeholders, and regulatory and external developments at each meeting. In addition, the Chief Risk and Compliance Officer periodically attends meetings to update the Board on key risks.

The Board Chairman, in conjunction with the Company Secretary work closely with the Chief Executive Officer to come up with the annual work plan and to set the agenda for each meeting. The notice, agenda and detailed board papers are circulated in advance of the meetings. Directors are entitled to request for additional information where they consider further information is necessary to support informed decision-making. During the year ending 31 December 2021, the Board held sixteen Board meetings.

Key Board Activities in 2021

During the year, the Board focused on reviewing progress of the new Medium-Term Plan (2021-2025) and relevant strategic initiatives, reviewing, and approving governance policies, and overseeing performance and risk. It considered performance against financial and other strategic objectives, key business challenges, emerging risks, business development, and the Bank's relationships with its stakeholders. The end-to-end governance framework facilitated discussion on strategy and performance by each business which enabled the Board to support executive management with oversight and delivery of the Bank's strategy.

The Board's key areas of focus in 2021 are set out by theme below.

STRATEGY AND BUSINESS PERFORMANCE

- The Board received progress and monitored the progress made on key strategic initiatives (under year 1 of MTP) and financial commitment, with the overall progress on strategy commended across board.
- Monitored and assessed the strength of the Bank's capital and liquidity positions
- Received regular corporate development updates
- Reviewed potential scenarios with probable material impact on performance and the Bank's strategic considerations in light of the market developments
- Received an update on the progress of the Operations strategy, including the focus on Operations re-engineering through Simplification, Automation and Migration.
- Received an update on progress against the Bank's Retail Banking strategy
- Received an update on the Wholesale Banking business, including progress against the strategic priorities, revenue, risk, and controls
- Received an update on the priorities and progress against the cross-border strategy including a focus on the strategic opportunities and initiatives across the Region
- Discussed progress of the costs and investment initiatives

- Approve the Bank's risk appetite and review risk profile and performance.
- Received updates on the progress of Digital Transformation strategy and related initiatives.

FINANCIAL DECISIONS

- The Board approved key financial decisions throughout the year and approved the Annual Report and Accounts 2020
- The Board passed a proposed dividend payout of TZS 137/- per ordinary share. A total dividend payout of TZS 68.5 billion was approved by the Board, which was subject to Shareholders' approval at the Annual General Meeting

BUDGET AND PERFORMANCE OVERSIGHT

- The Board received progress and monitored the progress made on key strategic initiatives (under year 1 of MTP) and financial commitment, with the overall progress on strategy commended across board.
- Monitored and assessed the strength of the Bank's capital and liquidity positions
- Received regular corporate development updates
- Reviewed potential scenarios with probable material impact on performance and the Bank's strategic considerations in light of the market developments
- Received an update on the progress of the Operations strategy, including the focus on Operations re-engineering through Simplification, Automation and Migration.
- Received an update on progress against the Bank's Retail Banking strategy
- Received an update on the Wholesale Banking business, including progress against the strategic priorities, revenue, risk, and controls
- Received an update on the priorities and progress against the cross-border strategy including a focus on the strategic opportunities and initiatives across the Region

RISK, REGULATORY AND LEGAL CONSIDERATIONS

- The Board, advised by the Board Audit, Risk and Compliance Committee, promotes a strong risk governance culture that shapes the Bank's risk appetite and supports the maintenance of a strong risk management framework, giving consideration to the measurement, evaluation, acceptance and management of risks, including emerging risks.
- Received regular risk reports from the Chief Risk and Compliance Officer with focused highlight on the Bank's risk and control operating environment
- Received an update on the Implementation of Artificial intelligence Cyber Defense Platform to protect the bank from advanced forms of cyber-attacks.
- Received the 2020 BOT Examination Report, noted key Findings thereof, considered and approved the Management's responses and related actions
- Approved the risk appetite validation of the 2022 Budget

TECHNOLOGY

- Throughout the year, the Board received regular updates on technology from the Chief Digital and Technology Officer including implementation status of digital and technology related initiatives
- The non-executive Directors with deep technology experience have worked in collaboration with the Chief Digital and Technology Officer to enhance the Bank's technology infrastructure and cybersecurity

EXTERNAL ENVIRONMENT

- Received an update on the macroeconomic headwinds and tailwinds in the global economy, including an assessment of their impact on the key drivers of the Bank's financial performance
- Received an update of the Tanzania operating environment, forecasts and impact of macroeconomic and policy trends on the key drivers of the Bank's financial performances

PEOPLE, CULTURE, AND VALUES

- Received an update on Management Team succession planning and an overview of the refreshed People Strategy for 2022
- Received an update of implementation of critical training interventions linked to MTP and culture transformation program
- Received and discussed the findings from the Employee Opinion Survey (EOS) and approved recommendations of implementation actions

GOVERNANCE

- The Board continued to oversee the governance, smooth operation, and oversight of the Bank.
- The Board continued to review the skills and experience of the Board as a whole to ensure that it comprises the relevant skills, experiences and competencies to discharge its responsibilities effectively.
- The Board monitored its compliance with the Principles of Good Corporate Governance Practices, and the Companies Act 2002 throughout the year.

Board Attendance

The Board held 16 meetings during the year. The attendance of Directors at Committee meetings is displayed within the individual committee reports.

The Directors who served during the year and their attendance at Board meetings are set out in the table below:

Directors

	Board	BARCC (10)	BCC (16)	BHRC(4)	BEC(3)
Dr. Edwin P. Mhede	11	n/a	n/a	n/a	3
Juma Kisaame	10	3	n/a	n/a	3
George Mandepo	8	n/a	13	3	n/a
Margaret Ikongo*	5	n/a	7	2	1
Mathias Magwanya*	5	4	n/a	n/a	n/a
Dr. George Mulamula***	11	10	n/a	n/a	n/a
Leonard Mususa***	10	10	n/a	n/a	n/a
Christine Glover***	10	n/a	16	4	3
Hendrik Reisinger	11	n/a	16	4	
Benson Mahenya**	4	4	n/a	n/a	n/a
Theresia Mihayo**	5	1	n/a	2	2

n/a – not applicable
**Retired from the Board on 4 June 2021*
***Appointed at the Annual General Meeting on 4 June 2021*
****Resigned from the Board on 18 January 2022*

Board committees

The Board places significant reliance on its committees by delegating a broad range of responsibilities and issues to them to achieve effective independent oversight and stewardship. It therefore remains crucial that effective linkages are in place between the committees and the Board as a whole, not least as it is impracticable for all independent non-executive directors to be members of all the committees.

Mechanisms are in place to facilitate these linkages, including ensuring that there are no gaps or unnecessary duplications between the remit of each committee and overlapping membership between Board committees where necessary. Alongside interconnected committee membership, the Board receives documented summaries of each of the committee's meetings.

Further details on each committee, including their oversight and focus during 2021, can be found in the next section of this report.

Board Audit and Risk and Compliance Committee (BARCC)

The Committee spent substantial time on reviewing the Bank's financial performance, risk and control environment, and disclosure related requirements. - **Mr. Leonard Mususa,** *Chairman, BARCC*

	Member	Meeting attendance in 2021
Leonard Mususa	Re-appointed June 2019	10/10
Dr. George Mulamula	June 2018	10/10
Benson Mahenya**	June 2021	4/10
Theresia Mihayo**	June 2021	1/10

***Appointed at Annual General Meeting in June 2021*

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, reporting and internal controls; performance of the Internal Audit, Risk and Compliance Functions; compliance with legal and regulatory requirements; adequacy of the risk management function; the oversight responsibility on planning and conduct of audits to determine that the bank's financial statements and disclosures are complete and accurate and are in accordance with International Financial Reporting Standards and applicable laws, rules and regulations.

Audit Functions:

The BARCC assists the Board by providing oversight of the Bank's financial reporting responsibilities including external audit independence and performance. The Audit Committee responsibilities include the following:

- Reviewing the quarterly and full-year statutory financial reports for recommendation to the Board.
- Reviewing significant accounting estimates and judgments used for the preparation of the financial reports.
- Advising the Board on the Bank's financial reporting requirements to ensure that the Board has exercised oversight of the work carried out by management, Internal Audit Function, and the external auditor.
- Reviewing and approving any new or proposed changes in the Bank accounting policies.
- Monitoring developments in statutory reporting and accounting and disclosure requirements
- Reviewing the effectiveness of, and ensuring that management has appropriate internal controls over, financial reporting
- Reviewing and monitoring the relationship with the external auditor and oversees its appointment, tenure, rotation, remuneration, independence, and engagement for non-audit services.
- And overseeing the work of the Internal Audit and monitoring and assessing the effectiveness, performance, resourcing, independence and standing of the function.

BARCC, also has overall non-executive responsibility for oversight of risk-related matters and the risks impacting the Bank.

BARCC Risk and Compliance Functions include:

- Advising the Board on risk appetite-related matters, and key regulatory submissions
- overseeing and advising the Board on all risk-related matters, including operational risk, financial risks, non-financial risks, and the effectiveness of the Bank's Enterprise Risk Management framework
- undertaking a review and challenge of the Bank's stress testing exercises; and
- reviewing the effectiveness of the Bank's enterprise risk management framework and internal controls systems
- Reviewing the Bank's overall Risk Appetite Statement and makes recommendations to the Board.
- reviewing the appropriateness and effectiveness of the Bank's risk management systems, considering the implications of material regulatory change proposals, reviewing reports on principal risks to the Bank's business
- Maintaining an oversight of all risk-related matters and the risks impacting the Bank

Committee governance

In carrying out its responsibilities, the BARCC is supported by the participation of senior management. The Chief Executive, Chief Financial Officer, Chief Internal Auditor, Chief Risk and Compliance Officer and other members of senior management routinely attended meetings of the BARCC. The external auditor attended requisite meetings (two meetings), namely Plan Presentation meeting and Closure of Statutory Audit meeting.

The Committee Secretary regularly met with the Chair to ensure the Committee fulfilled its governance responsibilities and to consider input from stakeholders when finalizing meeting agendas, tracking progress on actions and Committee priorities.

Meetings of the Committee usually take place a couple of days before the Board meeting to allow the Committee to report its findings and recommendations in a timely and orderly manner. This is done through the Chair who comments on matters of relevance and the Board receives copies of the Committee agenda and minutes of meetings.

Matters considered in 2021

	Jan	Feb	Apr	May	Jul	Aug	Oct	Nov
Financial reporting matters including: • Review of financial statements, ensuring that disclosures are fair, balanced and understandable • Significant accounting judgements • Going concern assumptions and viability statement • Supplementary regulatory information • Approval of Quarterly Financial statements	✓		✓		✓		✓	

	Jan	Feb	Apr	May	Jul	Aug	Oct	Nov
Internal Controls • The Committee discussed reports from the Chief Internal Audit which provided summaries of Internal Audit's appraisals of controls across key risks, subject to the Committee's oversight, together with the key risk issues identified by Internal Audit's work and management actions put in place to address the findings. • Discussed PwC's observations of Bank's controls arising from PwC's audit for the year ended 2021 and management's responses to the findings, together with proposed timelines for addressing the findings. The observations raised by PwC did not suggest any fundamental concerns over the control framework or procedures The reports received by the Committee provided assurance that there are effective internal controls within the Bank		✓		✓		✓		✓
Reports from **Internal Audit** Function		✓		✓		✓	✓	✓
Annual audit plan, independence, and effectiveness		✓		✓		✓	✓	✓
Statutory Auditor: Reports from external audit Appointment, remuneration, non-audit services and effectiveness		✓		✓	✓	✓	✓	✓
Compliance: The Committee received regular compliance reports which set out the work carried out the by Compliance function, significant compliance and regulatory risks facing the Bank, and key actions being taken to address and mitigate these risks.		✓		✓		✓		✓
Risk Appetite: Reviewed and challenged the formulation of the Bank's Risk Appetite Statement, in order to assure that it is effective in setting appropriate boundaries in respect of each Principal Risk Type. The Committee further considered and recommended the Bank's Risk Appetite to the Board for approval.		✓		✓		✓		✓

	Jan	Feb	Apr	May	Jul	Aug	Oct	Nov
Capital and Liquidity Risks **Market developments and emerging risks:** The Committee monitored the Bank's preparedness and readiness to address major market developments including new regulations and COVID-19 related macro-economic impacts. In doing so, the Committee assessed credit trends, economic outlook, and the impact on portfolio credit quality.		✓		✓		✓		✓

Board Human Resources and Remuneration Committee (BHRC)

Throughout 2021, the well-being of our people was our paramount concern.

- Ms. Christine Glover
Chair, BHRC

Committee Composition

	Member	Meeting attendance in 2021
Ms. Christine Glover	June 2018	4/4
Mr. Hendrick Reisinger	June 2019	4/4
Ms. Theresia Mihayo**	June 2021	2/4
Mr. George Mandepo	June 2019	3/4

***Appointed at Annual General Meeting in June 2021*

The primary function of the Committee is to assist the Board in implementing, monitoring, and discharging its duty to oversee the establishment of appropriate Human Resources & Remuneration policies and strategies that provides the Company with the capability to achieve its short and long-term business objectives.

The Committee also has the responsibility 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, governing laws, and highest standards of governance.

Committee's Functions:

- The critical role of the Committee is to ensure robust succession planning is in place and that the composition of the Board and its committees continue to evolve, providing effective oversight of the bank's strategy.

- To ensure the Bank has a truly diverse Board comprising individuals with a range of skills, backgrounds, experience, and perspectives remains key to the Board's continuing effectiveness.
- The Committee keeps under review the leadership needs of, and succession plans for, the Bank in relation to senior executives
- The Committee has oversight of the process by which the Board, its committees and individual directors assess their effectiveness
- The Committee is responsible for Board Members and Senior Executive appointment process
- The Committee is responsible for overseeing the remuneration of Senior Management, determining the framework and policies for remuneration and overseeing workforce remuneration, for alignment of reward, incentives and culture

Matters considered in 2021

	Feb	Apr	Aug	Nov
Succession Planning	✓	✓	✓	✓
HR Budget Update	✓	✓	✓	✓
Productivity Report	✓	✓	✓	✓
Talent Acquisition	✓	✓	✓	✓
Employee Relations Report	✓	✓	✓	✓
Labor Cases Report	✓	✓	✓	✓
Update on Culture Transformation Project	✓	✓	✓	✓
Leadership Development Plan	✓	✓	✓	✓

Board Credit Committee (BCC)

Committee Composition

	Member	Meeting attendance in 2021
Ms. Christine Glover	June 2018	16/16
Mr. Hendrick Reisinger	June 2019	16/16
Mr. George Mandepo	June 2019	13/16

The key focus for the committee was to ensure sustainable asset portfolio growth and quality. - **Mr. Hendrik Reisinger,** *Chairman, BCC*

GOVERNANCE & LEADERSHIP

The Committee assists the full Board on the management of credit risk by reviewing continuously the credit portfolio, credit standards and Credit Policy.

Committee's Functions:

- The objective of this Committee is to assist the Board of Directors in reviewing and overseeing the overall lending of the bank.
- The Committee is responsible for reviewing and overseeing the overall lending policy of the bank, deliberate and consider loan applications beyond the discretionary limits of the Management as set out in the Credit policy.
- The Committee is responsible to review facility applications by the Management Credit Committee and direct, monitor, review and consider all issues that may materially impact on the present and future quality of the Bank's credit risk management.
- The Committee is responsible to ensure that the credit policy and risk lending limits are reviewed at least on an annual basis and as and when the environment so dictates.
- The Committee is responsible to review and approve write-offs.

Matters considered in 2021

	Jan (2)	Feb (1)	Apr (1)	May (2)	Jul (2)	Aug (2)	Nov (2)	Dec (1)
Discussed and approved Risk Appetite and Sectoral Limits	✓	✓	✓	✓	✓	✓	✓	✓
Reviewed and approved request for facility applications	✓	✓	✓	✓	✓	✓	✓	✓
Committee discussed and approved write-off of loans	✓	✓	✓	✓	✓	✓	✓	✓
Deliberated, reviewed, and approved credit portfolio strategies	✓	✓	✓	✓	✓	✓	✓	✓
Received recovery updates on key special assets	✓	✓	✓	✓	✓	✓	✓	✓
Reviewed bank's portfolio quality trend and outlook and made necessary decisions	✓	✓	✓	✓	✓	✓	✓	✓
Reviewed and approved the Bank's Credit Policy	✓	✓	✓	✓	✓	✓	✓	✓
Received a detailed update on restructured facilities	✓	✓	✓	✓	✓	✓	✓	✓
Discussed progress on key strategic initiatives and investments	✓	✓	✓	✓	✓	✓	✓	✓

***Special BCC meetings were held in March 2021 (1), June 2021 (1), and September 2021 (1)*

Board Executive Committee (BEC)

During the period under review, the Committee ensured close oversight and advisory roles in the execution of key strategic initiatives in line with the bank's long-term growth ambitions.

Dr. Edwin P. Mhede
Chairman, BEC

- The Committee assists the Board in fulfilling its oversight responsibilities in accordance with the Articles of Association of the Company.
- The Committee, which is a steering committee for the full Board, has an oversight role over the critical key projects of the Company, provide guidance, support and mentor Management during transitional periods as well as be involved in any crisis situation that may arise within the Company.
- It is the general intention that all substantive matters in the ordinary course of business are brought before the full Board for action and/or ratification, but the Board recognizes the need for flexibility to act on substantive matters where action may be necessary between Board meetings.

Committee Composition

	Member	Meeting attendance in 2021
Dr. Edwin Mhede	June 2020	3/3
Ms. Christine Glover	June 2018	3/3
Juma Kisaame	June 2020	3/3
Ms. Theresia Mihayo**	June 2021	2/3

***Appointed at Annual General Meeting in June 2021*

Matters considered in 2021

	Feb (2)	Apr (1)	Aug (2)
Reviewed Board and Committees' Charter		✓	
COVID-19 updates	✓	✓	✓
Board Evaluation 2020 Updates		✓	
Strategy Update	✓	✓	✓
Updates on Key Strategic Initiatives and Investments	✓	✓	✓
Discussed and deliberated growth opportunities (organic and in-organic)	✓	✓	✓

Directors Evaluation

The Board regularly undergoes self-assessment and evaluation in order to improve the internal Governance of the Board and its Committees.

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.

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, 3rd June 2022 and participate in the affairs of the company.

Our Corporate and Governance Leadership

Our Board of Directors

Dr. Edwin P. Mhede
Board Chairman

Dr. Mhede was appointed to join NMB Bank's Board of Directors in June 2020, and thereafter was elected as Board Chairman.

Qualification: He holds a Ph.D. and Master's Degree in Development Economics from the National Graduate Institute for Policy Studies in Tokyo, Japan. He also holds a Bachelor of Science Degree in Agricultural Economics and Agribusiness from Sokoine University of Agriculture in Morogoro, Tanzania.

Career Experience: Dr. Mhede is a development economist with over 15 years working experience in public and private sectors. He has deep exposure in development economics, trade, economic policy, international negotiations, and industrial research and investment. Dr. Mhede is currently the Chief Executive of Dar Rapid Transit Agency (DART). He has held various management roles in the Government to the level of Deputy Permanent Secretary of Trade and Investment at the Ministry of Industry, Trade and Investments. He is highly recognized for leading multifaceted economic programs for the growth of the public and private sectors in Tanzania.

Juma Kisaame
Non-Executive Director

Juma Kisaame was appointed to join NMB Bank's Board of Directors in June 2020.

Qualification: Juma has substantive experience in development finance, commercial banking, financial and asset management.

Career Experience: Juma is currently the Board Chairman of Uganda Revenue Authority. Prior to his retirement in 2018, he was the Managing Director of dfcu Bank Ltd since 2007, during which he transformed dfcu Bank from a niche development financial institution into a robust retail operation with total assets in excess of Ushs 3 trillion, over 60 branches, 100 ATMs, mobile, internet and agency banking.

He is credited for turning around the Eurafrican Bank from loss making into a sustainable profit-making position. He also trebled the bank's balance sheet in three years and increased market share from number 28 to number 11 and the branch network from one to five over the same period.

He founded the Uganda Leasing Association in 2002 and became the Association's Executive Secretary until 2004. He currently holds the Presidency of the African Leasing Association. He also pioneered the publications Lease Link and Afrolease News journals which are at the forefront of advocating for leasing development in Uganda and Africa at large.

Other senior leadership and governance roles include Vice Chairman of the Uganda Bankers Association and Director of Jubilee Insurance.

George N. Mandepo
Non-Executive Director

George was appointed to join NMB Bank's Board of Directors in June 2020.

Qualification: George holds a Master's 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.

Career Experience: George has over 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 is a 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.

George has participated in various sector committees for research, review and formulation of various legislations mainly in agricultural and mining sectors. He has also provided legal advice in the institutional restructuring and reformation of a number of public institutions. He has been involved in various regional and international working groups and consultancies for the preparation of several legal instruments and rendering implementation advice.

Hendrik Reisinger
Non-Executive Director

Hendrik Reisinger was appointed to join NMB Bank's Board of Directors in June 2019.

Qualification: Hendrik 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.

Career Experience: Hendrik has over 25 years of experience working within the financial services industry with deep expertise in banking and risk management, business analysis and investment management. He joined Rabo International in 1990 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.

Reisinger is currently an independent non-executive director with relevant experience in both Africa and Europe. He has also founded a private company providing financial advisory services and board room services.

Leonard C. Mususa
Non-Executive Director

Leonard Mususa was appointed to join the NMB Board of Directors in June 2015.

Qualification: Mr. Mususa 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).

Career Experience: Mr. Mususa retired from PricewaterhouseCoopers (PwC) in June 2014, where he worked in various areas spanning 36 years, 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 the East Africa Market Area (covering 6 countries). Mr. Mususa also holds directorships in various companies in the financial, manufacturing, commerce and media sectors, including Tanzania Breweries Plc., Nation Media Group, Reliance Insurance Tanzania Limited and AutoXpress Tanzania Limited.

Christine Glover
Non-Executive Director

Christine Glover was appointed to join the NMB Board of Directors in June 2018.

Qualification: 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.

Career Experience: 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.

Dr. George Mulamula
Non-Executive Director

Dr. Mulamula was appointed to join the NMB Board of Directors in June 2018.

Qualification: He holds a PhD. in ICT Technology Transfer and a Masters in Computer Science from the City University of New York.

Career Experience: Dr. Mulamula has wide experience in the private and public sectors within the areas of ICT, technology, entrepreneurship and Fin Tech support. He is currently the CEO and founder of Technovate Advisory Services (TAS) which is dedicated to building the entrepreneurship ecosystem to foster knowledge transfer, skills capacity-building, and to catalyze job creation in Tanzania, with financial inclusion for the bottom of the pyramid. He also founded Dar Teknohama (ICT) Business Incubator which grew to be the largest technology incubator in East Africa. He has held various advisory roles within the region and internationally, including being the Senior Government Advisor on ICT, Entrepreneurship in Tanzania. He also served as the Principal Deputy Chief Executive Officer of the Rwanda Development Board (RDB) and as Senior Advisor in the Ministry of Commerce and Industry in Rwanda. He was also the lead advisor for the Tanzania ICT Policy and Rwanda's NICI policy, and helped draft ICT policies in the SADC region.

Dr. Mulamula has taught at various Higher Learning Institutions in the region, consulted with international and regional organizations, and has also written extensively on ICT, Technology Transfer for Sustainable Development.

Benson Mahenya
Non-Executive Director

Benson was appointed to join NMB Bank's Board of Directors in 2021.

Qualification: Benson is an Associate Certified Public Accountant with 27 years of experience in auditing, banking, finance, management and accounting. He holds a Master's Degree in Finance from the University of Strathclyde, Scotland, a Master's Degree in Business Administration (MBA) and a Bachelor of Commerce degree in Finance both from the University of Dar es Salaam. He is also member of the Institute of Directors of Tanzania (IoDT).

Career Experience: Benson is currently the Chief Executive Officer of GSM Group of Companies. He is also the founding partner of BM Associates, an auditing and advisory firm, where he assists clients in restructuring their operations to achieve effective internal controls, higher efficiencies and increased productivity. Throughout his career, he has held various senior leadership roles including Director of Finance and Administration at BancABC, Director of Finance and Administration at T-MARC, Senior Manager of Finance and Control at NMB Bank and Business Support Manager at Standard Chartered Bank.

Benson has been involved as a member and chairman of boards of several international and local institutions. He is currently a board member of PASS Trust and Tanzania Growth Trust (TGT). Other notable governance roles he held in the past include Board Chairman of TIB Corporate Bank and Board Member of SEDA/VisionFund, a subsidiary of World Vision.

Theresia P. Mihayo

Non-Executive Director

Theresia Paschal was appointed to join NMB Bank's Board of Directors in 2021.

Qualification: Theresia holds a Master's Degree in Finance and Investment from Coventry University (UK) and is a Certified Public Accountant with the National Board of Accountants and Auditors (NBAA) Tanzania.

Career Experience: Theresia has experience in internal auditing and has successfully undertaken a range of audit assignments. She has spent over 15 years working in auditing and she currently works as Acting Chief Internal Auditor in the Ministry of Community Development, Gender, Women and Special Groups. Prior to her current position, she has held audit roles in the Ministry of Finance and Planning over 10 years where she champions the internal audit process in the Public Sector Also, she works with the Ministry of Cooperatives and Markets and Ministry of East African Corporation.

Theresia was part of the East African Community (EAC) Finance and Administration Committee, where she has helped to resolve a variety of issues including EAC budget, administrative and audit issues. She was also selected to join a team of experts from member countries to develop the EAC internal audit manual, audit committee charter and internal audit charter.

Lilian R. Komwihangiro

Company Secretary

Lilian R. Komwihangiro is the Company Secretary and Head of Legal of NMB Bank Plc.

Qualification: Lilian holds Bachelor of Laws (LL.B Hons) and Master of Laws (LL.M) degrees the latter specializing 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). Lilian is an Advocate of the High Court of Tanzania, a member of both the Tanganyika Law Society (TLS) and East Africa Law Society (EALS) and a member of the Institute of Directors of Tanzania (IoDT). She is currently finalizing accreditation to the Chartered Governance Institute (UK & Ireland).

Career Experience: Before joining NMB, she worked as a legal officer for Maajar, Rwechungura & Kameja Advocates, FK Law Chambers and as a legal consultant at PricewaterhouseCoopers.

Our Executive Committee

Ruth Zaipuna
Chief Executive Officer

Ruth was appointed as Chief Executive Officer in August 2020 responsible for driving the Bank's corporate strategy to deliver sustainable business growth.

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

Career Experience: Ruth started her career at PriceWaterhouseCoopers (PwC) where for a decade, she specialized in the audit of banks and other financial institutions. She rose through the ranks to the position of Associate Director before leaving the firm in 2011 to take up the position of Executive Director Finance and Chief Financial Officer at Standard Chartered Bank. In July 2017, she 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 joined NMB Bank from Standard Chartered Bank as Chief Financial Officer in June 2018 and was appointed Chief Executive Officer in August 2020.

Ruth is an Independent non-Executive Director at Tanzania Portland Cement Company Limited (TPCC) – the leading cement producing company in Tanzania; a Board Member at Tanzania Port Authority (TPA) and an AGM member at Legal Services Facility, an independent basket fund and nonprofit organization that strives to increase access to justice for all, particularly women, through a legal empowerment approach.

Juma Kimori
Chief Financial Officer

Juma Kimori is the Chief Financial Officer responsible for the bank's overall executive strategy, planning, and strategic risk and governance for sustainable growth of the bank. He is responsible for all Finance Functions including Reporting, Budgeting, Business Finance, Tax and Investor Relations.

Qualification: Juma is an Associate Certified Public Accountant (ACPA (T)). He holds a Bachelor of Commerce in Accounting (Hons) from the University of Dar es Salaam and is currently pursuing Master's Degree in Business Administration at ESAMI. He is a member of the National Board of Accountants, Institute of Internal Auditors (IIA) and a Certified Facilitator for the IIA with experience in delivering professional papers both within and outside Tanzania. He is also a Certified Director by the Institute of Directors Tanzania (IoDT).

Career Experience: Juma started his career at PriceWaterhouseCoopers (PwC) as external auditor specializing on the audit of Financial Services. Juma has over 15 years of experience in banking, leadership, enterprise risk management, strategy formulation and execution, change management, corporate governance and reporting. He joined NMB Bank Plc. as the Chief Internal Auditor in 2018 responsible for assurance provision and reporting to the Board Audit, Risk and Compliance Committee (BARCC) functionally and administratively to the Chief Executive Officer (CEO). Prior to joining NMB Bank, he worked for Barclays Bank Tanzania as Chief Internal Auditor. Juma took additional role at Barclays Africa (now Absa) as Regional Director of Internal Audit providing leadership to the audit teams in Seychelles, Mozambique, Botswana, Zambia, Uganda, Ghana, and Zimbabwe. He has also served as a Board Member of IIA Tanzania since 2015 to 2020.

Daniel Mbotto

Chief Credit Officer

Daniel Mbotto is the Chief Credit Officer, responsible for the overall credit functions including the appraisal of loans, portfolio management, and collection of bad debts, and ensuring a sound portfolio quality.

Qualification: Daniel is a Certified Lender with advance certified credit skills recognized by Omega CSA and holds a Bachelor Degree in Business Management from the University of Mysore, India.

Career Experience: Daniel is a seasoned banker with a wealth of experience spanning over 21 years holding various senior positions within local, regional and international banks, including assignments in the Seychelles and South Africa. Prior to his current role, he held similar positions at Stanbic Bank, National Bank of Commerce (NBC) and Barclays Bank. Throughout his career, he has accumulated a deep understanding of the Tanzanian market and attained strong requisites as a credit expert.

Lilian R. Komwihangiro

Head of Legal and Company Secretary

Lilian R. Komwihangiro is the Company Secretary and Head of Legal of NMB Bank Plc.

Qualification: Lilian holds Bachelor of Laws (LL.B Hons) and Master of Laws (LL.M) degrees the latter specializing 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). Lilian is an Advocate of the High Court of Tanzania, a member of both the Tanganyika Law Society (TLS) and East Africa Law Society (EALS) and a member of the Institute of Directors of Tanzania (IoDT). She is currently finalizing accreditation to the Chartered Governance Institute (UK & Ireland).

Career Experience: Before joining NMB, she worked as a legal officer for Maajar, Rwechungura & Kameja Advocates, FK Law Chambers and as a legal consultant at PricewaterhouseCoopers.

Filbert Mponzi
Chief Retail Banking

Filbert is the Chief Retail Banking responsible for development and execution of the Retail Banking Strategy, with focus on delivering the best in-class innovative, customer centric financial services for Individual, MSME and Agribusiness customers.

Qualification: Filbert is an Associate Certified Public Accountant (ACPA (T)). He holds a Bachelor of Commerce in Accounting (Hons.) from the University of Dar es Salaam and a Master of Business Administration from Eastern and Southern African Management Institute (ESAMI). He has also attended senior leadership courses at Harvard Business School (HBS) (USA) and Gordon Institute of Business Science (GIBS) in South Africa. He is also a Certified Director by the Institute of Directors Tanzania (IoDT).

Career Experience: Filbert has over 17 years of experience in Retail Banking, MSME, Corporate Banking and Agri Business. He rejoined NMB Bank in June 2018 as Business Head; Wholesale Banking from NBC Bank. Before that, he worked at Barclays Tanzania, 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). Filbert is a member of the Board of Trustees of Social Action Trust Fund (SATF), and is also a Board Member of Tanzania Mortgage Refinancing Company (TMRC).

Alfred Shao
Chief Wholesale Banking

Alfred Shao is the Chief Wholesale Banking responsible for Large Corporate customers and business, Transactional business, Government, and International Trade.

Qualification: Alfred is a certified accountant from the Association of Chartered Certified Accountants (ACCA). He holds a Master of Business Administration and Bachelor of Commerce in Corporate Finance, both from the University of Dar es Salaam.

Career Experience: Alfred has over 17 years' experience in audit, asset portfolio management and risk assessment. Prior to joining the bank in 2020, Alfred worked with several international banks where he held various executive management roles including as Executive Director & Head of Commercial Banking at Standard Chartered Bank and as Head of Business Banking at Stanbic Bank.

Aziz Chacha
Treasurer

Aziz Chacha is the bank's Treasurer, responsible for leading the strategic direction of treasury department and supports the bank in foreign exchange business, investment in securities and market and liquidity risk management.

Qualification: Aziz is a Certified member of France-based ACI Financial Markets Association and holds an MBA from Manchester Business School of the University of Manchester, United Kingdom. He is currently pursuing a Doctorate Degree in Business and Management (PhD) from Strathmore University.

Career Experience: Aziz has a wealth of experience spanning over 17 years in Treasury risk management, Treasury technology, capital markets/ corporate finance, capital planning and balance sheet management. Prior to joining NMB Bank in 2011, Aziz was in the Management Team of Barclays Tanzania, as the Country Treasurer.

Kwame Makundi
Chief Technology and Digital Transformation

Kwame Makundi is the Chief Technology and Digital Transformation responsible for driving the Bank's digital and technology strategy.

Qualification: Kwame earned his Bachelor of Science in Computer Engineering and Information Technology from the University of Dar es Salaam and holds a number of advanced IT certifications in areas of IT Service Management, UNIX Operating Systems, networks, project management, databases, Intelligent Network (IN) and value-added systems (VAS). He is currently pursuing his Master of Business Administration at Stellenbosch University Business School.

Career Experience: Kwame has extensive experience in technology and digital transformation spanning over 16 years. He joined NMB Bank Plc. in 2014 as Senior Manager; Service Desk and later promoted to Head of Service Management in 2017. Prior to joining NMB Bank, he worked for telecommunication companies in Tanzania including Tigo Tanzania (MIC Group), Sasatel and Vodacom Tanzania.

Nenyuata Mejooli
Chief Shared Services

Nenyuata Olekambaine Mejooli is the Chief Shared Services responsible for leading the shared services support functions including customer experience, facilities, Business Continuity Management, operational transformation, and management and execution of strategic projects in the Bank.

Qualification: Nenyuata holds a Bachelor of Science in Electronics from Bangalore University (India) and a Master of Business Administration from Dublin City University (Ireland). She is also PRINCE 2 Practitioner and holds a leadership certificate from Gordon Institute of Business Science (GIBS), South Africa. She is also a Certified Board Member from ESAMI under the Female Future Program Tanzania.

Career Experience: Nenyuata is a seasoned banker with over 20 years' experience in Banking Operations, Operations risk, Quality assurance, and Business process improvement and re-engineering. Nenyuata joined NMB Bank Plc from Standard Chartered Bank in September 2007 as Business Process Manager and has since held several roles including Senior Operations Manager, Senior Manager for Banking Operations, Head of Banking Operations and Head of Branch Network. Prior to her current appointment in June 2019, she was the Business Head; Shared Services since June 2018.

Oscar Nyirenda
Acting Chief Risk and Compliance

Oscar Nyirenda is the Acting Chief Risk and Compliance responsible for ensuring sound monitoring, mitigation, and reporting the Bank's business risks as well as ensuring compliance with policies, procedures and relevant regulations.

Qualification: Oscar holds a Bachelor of Commerce Degree in Accounting from the University of Dar es Salaam and a Master's Degree in Accounting and Finance from Mzumbe University. He is a Certified Public Accountant (CPA) (T) and a member of the National Board of Accountants and Auditors Tanzania (NBAA). He is also a Certified Banking and Credit Analyst (CBCA) by Corporate Finance Institute, Certified Corporate Credit Risk Management, (Anucana Business Communication Pvt Ltd) and holds Credit Skills Assessment Certification from Moody's.

Career Experience: Oscar has over 17 years' experience in risk management with a deep understanding of Tanzania's regulatory environment. Oscar joined NMB Bank in 2020 as Head Credit Risk, the position which he still holds along with his current role. Prior to this role, he worked for both local and international banks including Standard Chartered Bank, Exim Bank (T) Ltd., I & M Bank and National Bank of Commerce (NBC).

Benedicto Baragomwa

Chief Internal Audit

Benedicto Baragomwa is the Chief Internal Audit responsible for managing the internal audit and assurance activities of the Bank, reporting functionally to the Board Audit, Risk and Compliance Committee (BARCC) and administratively to the Chief Executive Officer.

Qualification: Benedicto holds a Master of Science in Economics and Finance from University of Bradford (UK) and a Bachelor's Degree in Accounting & Finance from Mzumbe University (TZ). He is an Associate Certified Public Accountant (ACPA) by the National Board of Accountants and Auditors Tanzania, a Certified Information Systems Auditor (CISA) by ISACA and a Certified Director by the Institute of Directors in Tanzania (IoDT).

Career Experience: Benedicto has extensive experience in auditing, corporate governance, strategy, risk, financial management and Data analytics. Prior to joining NMB Bank, Benedicto was an Audit Manager for ABSA Bank (formerly Barclays), having worked with KPMG East Africa as Senior Auditor, specializing in Financial Services Assurance. He has served the bank as Acting Chief Internal Auditor in two occasions and Acting Chief Financial Officer before his appointment to Chief Internal Audit. Benedicto serves as a Board Member of the ISACA Tanzania Chapter.

Emmanuel Akonaay

Chief Human Resources Officer

Emmanuel Akonaay is the Chief Human Resources Officer responsible for driving the execution of the people agenda in line with the Bank's vision while providing the necessary guidance to the HR team in strategy implementation.

Qualification: Emmanuel holds a Master of Business Administration (MBA) from ESAMI and a Bachelor of Arts Degree from the University of Dar es Salaam. He is a certified Reward & HR practitioner and a certified Director by the Institute of Directors Tanzania (IoDT).

Career Experience: Emmanuel has rich experience in Human Resources across diverse sectors including advisory, manufacturing, mining, and banking for over 15 years. Prior to his current role, 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. He joined NMB Bank from Ernst & Young as the country Head of Human Resources responsible to drive the HR agenda in strategic talent acquisition, development and retention.

RISK REPORT

Our Approach to Risk

NMB Bank's risk management strategy

Effective management of risk is a critical underpinning to the execution of NMB Bank's strategy and through the effective management of risks we earn the trust that our stakeholders place in us.

Our social license to operate (SLO) is based on this trust, making compliance with all applicable laws and regulations non-negotiable.

Therefore, material risks and uncertainties NMB Bank faces across its business and portfolios are key areas of management focus.

This section introduces NMB Bank's approach to ***managing*** and ***identifying risks***, and for fostering a strong risk culture.

Our risk management approach

Our risk management approach ensures consistent and effective management of risk within our board-approved risk appetite and provides for appropriate accountability and oversight.

We take a holistic, forward-looking view of the risks we face, assessing both the prevalent and emerging threats in our operating environment. Our well-developed framework supports a consistent approach to risk and capital management throughout the Bank.

Enterprise Risk Management Framework (ERMF)

The ERMF sets the strategic approach for risk management by defining standards, objectives, and responsibilities for all areas of NMB Bank's Operations. It is approved by the Board on recommendation of the Bank's Chief Risk and Compliance Officer (CRCO); it is then adopted by the Bank with modifications where needed. It supports the Executive Management in effective risk management and developing a strong risk culture.

The ERMF sets out:

- Segregation of duties: The ERMF defines a Three Lines of Defense model.
- Principal risks faced by the Bank: This list guides the organization of the risk management function, and the identification, management and reporting of risks.
- Risk appetite requirements: This helps define the level of risk we are willing to undertake in our business.
- Roles and responsibilities for risk management: The ERMF sets out the accountabilities of the Bank's CEO and other Members of the Executive Management.

The ERMF is complemented by frameworks, policies and manuals which are mainly aligned to individual Principal Risk Types:

- Frameworks cover the management approach for a collection of related activities and define the associated policies used to govern them.
- Policies set out principles and other core requirements for the activities of the Bank. Policies describe "what" must be done.
- Standards set out the key control objectives that describe how the requirements set out in the policy are met, and who needs to carry them out. Standards describe "how" controls should be undertaken.

Key components of our risk management framework

NMB Values and Risk Culture

Risk Governance

Non-executive risk governance Executive risk governance	• The Board approves the Bank's risk appetite, plans and performance targets. It sets the 'tone from the top' and is advised by the Board Audit, Risk and Compliance Committee (BARCC) • Our executive risk governance structure is responsible for the enterprise- wide management of all risks, including key policies and frameworks for the management of risk within the Bank

Roles and Responsibilities

Three lines of defense model	• Our 'three lines of defense' model defines roles and responsibilities for risk management. An independent Internal Audit function helps ensure the necessary balance in risk/return decisions

Processes and Tools

Risk appetite Enterprise-wide risk management tools Active risk management: identification / assessment, monitoring, management, and reporting	• The Bank has processes, policies, and manuals in place to identify/assess, monitor, manage risks.

Internal Controls

Policies and procedures Control activities Systems and infrastructure	• Policies and procedures define the minimum requirements for the controls required to manage our risks. • Operational and resilience risk management defines minimum standards and processes for managing operational risks and internal controls. • The Bank has systems and/or processes that support the identification, capture and exchange of information to support risk management activities.

Principal Risks

The ERMF identifies eight principal risks and sets out associated responsibilities and expectations around risk management.

Principal risks are overseen by an accountable executive within the Bank who is responsible for the framework, policies and standards that detail the related requirements. Risk reports to executive and Board committees are clearly organized by principal risk. In addition, certain risks span more than one principal risk; these are also subject to the ERMF and are reported to executive and Board committees.

Credit Risk

Risk of loss from the failure of clients, customers or counterparties to fully honor their obligations

Market Risk

Risk of losses in on and off-balance sheet positions as a result of adverse changes in market conditions

Operational Risk

Risk of loss from inadequate or failed processes or systems, human factors or due to external events

Liquidity and Solvency Risk

Risk that the bank can't fulfill its payment commitments at maturity

Strategic Risk

Potential impact on bank's earnings, capital, or reputation of arising from poor business decisions and lack of adaptation to changes in broader operating environment.

Compliance Risk

Risk to earnings, capital, and reputation arising from non-compliance with governing laws and regulations

RISK REPORT

Strategic risk management

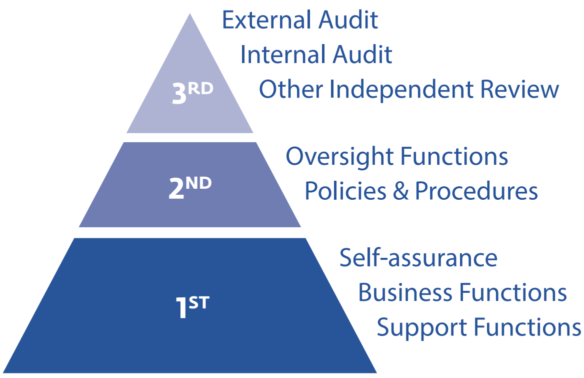
Our strategy in risk management entails:

- **Risk identification:** Performance of an impact analysis of risks which arise from growth plans, strategic and business model vulnerabilities.
- **Risk appetite:** Performance of an impact analysis to confirm that the growth plans and strategic initiatives are within the Board Approved Risk Appetite.
- **Stress testing:** The outcomes of the risk identification process are used to develop the scenarios for stress tests, then results of the stress tests are used to recommend strategic actions.

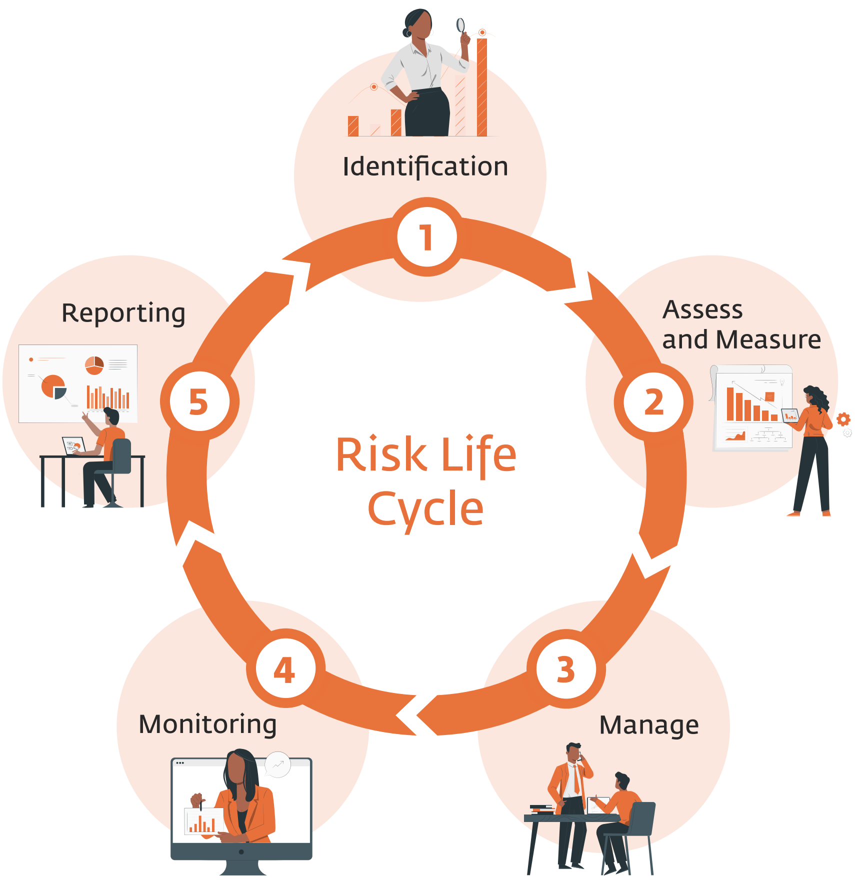
Roles and responsibilities - the **"Three Lines of Defense"** model

To create a robust control environment to manage risks, we use an activity-based three lines of defense model. This model delineates management accountabilities and responsibilities for risk management and the control environment.

The model underpins our approach to risk management by clarifying responsibility and encouraging collaboration, as well as enabling efficient coordination of risk and control activities. As such, all NMB Bank's employees are responsible for understanding and managing risks within the context of their individual roles and responsibilities, as set out on the right:



1. First line comprises all employees engaged in the revenue generating and client facing areas of the Bank and all associated support functions, including Finance, Treasury, and Human Resources. The first line is responsible for identifying and managing the risks they generate, establishing a control framework, and escalating risk events to Risk and Compliance.
2. Second line is comprised of the Risk and Compliance functions. The role of the second line is to establish the limits, rules, and constraints under which first line activities shall be performed, consistent with the risk appetite of NMB Bank Plc, and to monitor the performance of the first line against these limits and constraints.
3. Third line of defense is Internal Audit, who are responsible for providing independent assurance over the effectiveness of governance, risk management and control over current, systemic and evolving risks.



Risk appetite for the principal risks

Risk appetite is defined as the level of risk which NMB Bank's businesses are prepared to accept in the conduct of their activities. It provides a basis for ongoing dialogue between management and Board with respect to the Bank's current and evolving risk profile, allowing strategic and financial decisions to be made on an informed basis.

The Bank's total risk appetite and its allocation are supported by limits to control exposures and activities that have material concentration risk implications.

Risk governance

The Board has ultimate responsibility for the effective management of risk and approves our risk appetite. It is responsible for delineating the overall risk- management strategy and supervising the risk-management framework of the Bank, directly or through the Audit, Risk and Compliance Committee.

Main duties of the Board of Directors around risk management are:

- Establishing the risk appetite and risk capacity framework of the Bank.
- Approving a risk-management policy consistent with the risk-appetite framework, including the establishment of risk limits in the various areas of activity and main risk areas.
- Providing clear guidance to senior management with regard to risk management, based on the recommendations of the executive committee, headed by the CEO, and ensuring that senior management takes the necessary actions in order to identify, measure, monitor, and control risks
- Approving methodologies for risk assessment and control, and for the allocation of capital in respect of risks.
- Supervising and monitoring the implementation of the established risk-management policy; examining the Bank's actual risk profile and examining the processes and actions that the Bank must apply to comply with all regulatory directives concerning risk management.

Risk Committees

The responsibility for risk management resides at all levels within the Bank, from the Board and the Executive Committee down through the organization to each Business and Risk Heads. NMB distributes these responsibilities so that risk/return decisions are taken at the most appropriate level, subject to robust and effective review and challenge by respective risk oversight committees, Internal Audit, Board Risk Committee and ultimately the Board.

The enterprise Risk Management Framework (ERMF) operating with the broad policy framework reviews and monitors various aspects of risk arising from the business. Independent Committees like Executive Committee (ExCo), Management Audit Risk and Compliance Committee (MARCC), Risk and Compliance Committee (RCC), Assets and Liabilities Committee, (ALCO), Management Legal Committee, have been constituted across the Bank to facilitate independent evaluation, monitoring, and reporting of various risks.

At Board level, there are three Board-level forums which oversee the application of the ERMF and review and monitor risk across NMB Bank PLC. These are: the NMB Bank PLC Board Audit Risk and Compliance Committee; Board Credit Committee and the Board Human Resources and Remuneration Committee which oversees among other things, pay practices focusing on aligning pay to sustainable performance in line with policies. Finally, the NMB Bank PLC Board receives regular information on the risk profile of the Bank and has the ultimate responsibility for risk appetite and capital plans, within the parameters set by the NMB PLC Board.

- **The Board:** One of the Board's responsibilities is the approval of the risk appetite of the Bank. The NMB Bank PLC Board is also responsible for the adoption of the ERMF.

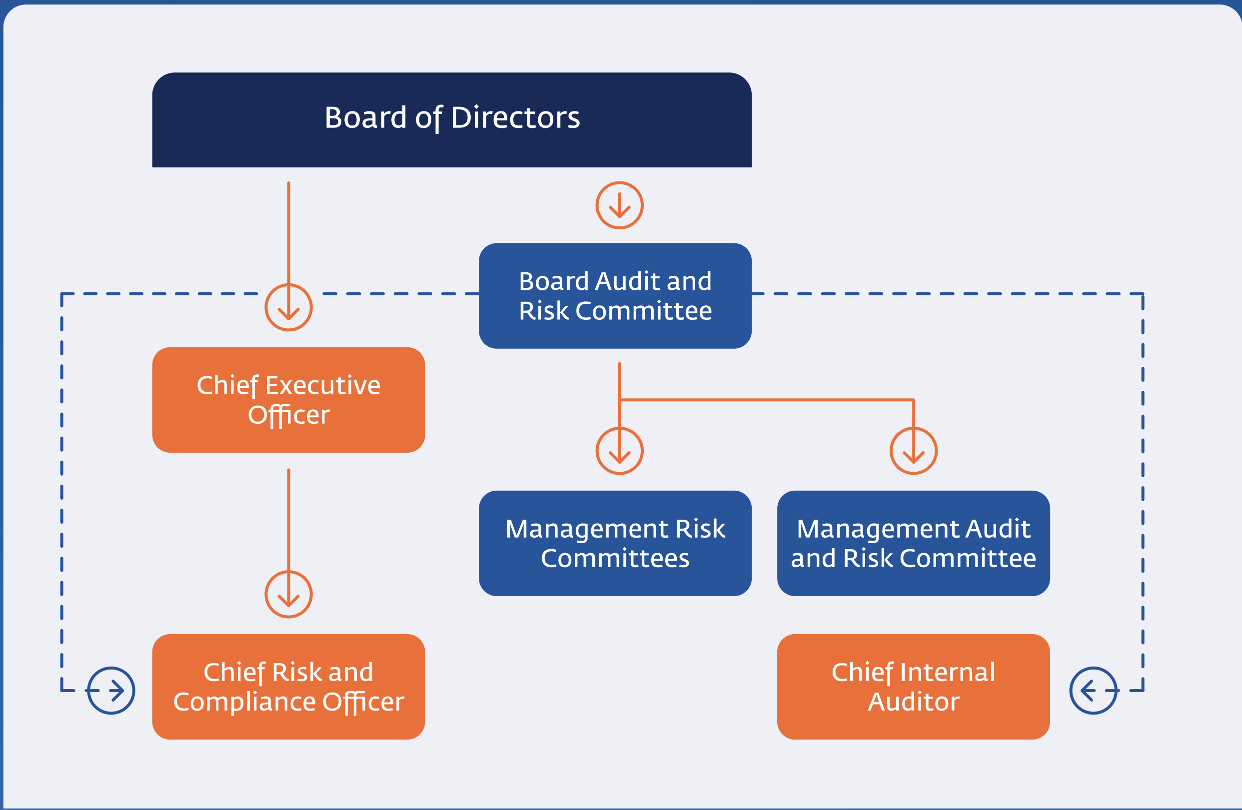
- **The Board Audit, Risk and Compliance Committee (BARCC):**

  a. The BARCC monitors the Bank's risk profile against the agreed appetite. Where actual performance differs from expectations, the actions taken by management are reviewed to ascertain that the BARCC is comfortable with them. The Chief Risk and Compliance Officer (CRCO) regularly presents a report to the BARCC summarizing developments in the risk environment and performance trends in key portfolios. The BARCC also reviews certain key risk methodologies, the effectiveness of risk management, and NMB Bank's risk profile, including the material issues affecting each business portfolio and forward risk trends. The committee also commissions in-depth analyses of significant risk topics, which are presented by the CRCO or Senior Risk Managers in Risk Management functions.

  b. The BARCC also receives regular reports on the effectiveness of internal control systems and on accounting judgements (including impairment), and a quarterly review of the adequacy of impairment allowances, relative to the risk inherent in the portfolios, the business environment, and NMB Bank's policies and methodologies.

- **Board Credit Committee:** The Committee assists the full Board in the management of credit risk by reviewing continuously the credit portfolio, credit standards and Credit Policy.

- **Board Human Resources and Remuneration Committee (BHRC):** The BHRC receives a detailed report on HR related risk management performance and risk profile, and proposals on ex-ante and ex-post risk adjustments remunerations. These inputs are considered in the setting of performance incentives. 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, governing laws and highest standards of governance.



NMB Bank's risk culture

Risk culture can be defined as the norms, attitudes and behaviors related to risk awareness, risk taking and risk management. This is reflected in how the Bank identifies, escalates and manages risk matters.

NMB Bank PLC is committed to maintaining a robust risk culture in which:

a. Management expect, model, and reward the right behaviors from a risk and control perspective.

b. Staff identify, manage, and escalate risk and control matters, and meet their responsibilities around risk management.

c. Specifically, all NMB Bank's employees regardless of their positions, functions or locations must play their part in the Bank's risk management. All employees are required to be familiar with risk management policies which are relevant to their responsibilities, know how to escalate actual or potential risk issues, and have a role-appropriate level of awareness of the risk management process as defined by the ERMF.

Our Code of Conduct

All NMB Bank's staff must attest to the Bank's Code of Conduct, and comply with all frameworks, policies and standards applicable to their roles. The Code of Conduct outlines the purpose and values which govern our way of working. It constitutes a reference point covering the aspects of colleagues' working relationships with other NMB employees, customers and clients, governments and regulators, business partners, suppliers, competitors, and the broader community.

Our Risk Landscape

In 2021, the Bank maintained a well governed risk and controls operating environment. Despite the ripple effects of the COVID-19 pandemic in the global economy, the bank's Profit after Tax (PAT) was significantly higher in 2021 than in 2020. The bank also had solid liquidity and solvency ratios in excess of regulatory requirements and internal limits during the year. Key performance ratios are generally ahead of or in line with industry averages in Tanzania. Asset quality ratios also improved, with the NPL decreasing to 4.0% as at end of 2021 compared to 5.4% as at end of 2020.

The bank has also continued to demonstrate laudable operational efficiency, with further gains resulting in improved cost-to-income ratio to 46% from 51% in the same period last year, being well within the regulatory threshold of 55%.

Overall, the Bank continues to remain vigilant on the risks and uncertainties emanating from the COVID-19 pandemic and geopolitical uncertainties. However, these issues had no apparent impact on our financial performance in 2021.

NMB Risk Profile

The bank 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***.

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.

- During the year, there were improvements in asset quality with the NPL ratio dropping to 4.0 % as at end of 2021 compared to a ratio of 5.4% in 2020.
- The improvement was due to strong portfolio management and growth of the loan book.
- The bank's Risk Appetite Statement and sector concentration limits were also revised in 2021 in line with the refreshed Medium-Term Plan, with the overall objective of sustaining growth of a well-diversified balance sheet while limiting concentration risk exposure to any one sector.

Risk Management Measures

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. A range of tools and measures are used during business to manage credit risk.

From a governance perspective, the apex credit decision-making committee is the Board Credit Committee which works with other Management committees to review 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.

Stress-testing is regularly done to monitor the bank's liquidity and solvency risks. Four comprehensive rounds of stress-testing were performed in 2021 incorporating stress scenarios for all key risk factors (liquidity, solvency, market, credit, operational risk as well as a black swan combined stress scenario), with measures to deal with all stress outcomes ranging from mild to severe in place.

The bank has implemented a number of initiatives to enhance its loan origination and disbursement processes, including through the automation of credit scoring and centralization of the disbursement process which have improved efficiency.

The Risk Appetite Statement was also revised in 2021 with new sector limits as well as a strong credit governance framework with various levels of approvals needed for loans of different sizes and complexity. The bank's credit administration structure has also been strengthened for a more optimized support model.

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).

- The bank's Operational Risk profile is stable. NMB's goal is to minimize the risks given the nature of its operations, strategy, risk appetite and market. Though large operational losses from severe risk events are rare, the bank works actively to avoid such losses. In the event that the risk events do materialize, the bank always strives to ensure that it has adequate insurance protection to deal with losses above a certain threshold.
- As the world become increasingly digitized, NMB recognizes the value of having a strong cyber-security environment to protect against cybercrime. Measures are routinely taken to raise awareness to staff and customers about cybersecurity threats to supplement the investments made in strengthening security around IT processes and controls. Security policies are also regularly reviewed and updated to align to changes in the overall operating environment and to address emerging threats.

Risk Management Measures

Various measures to mitigate operational risk are implemented in line with the bank's ERM framework.

People
Talent retention, succession planning, and career development are key tools used to mitigate operational risks related to our human capital. These tools are used to ensure the availability of the right skills, roles, and resources to support business operations.

The bank has a code of ethics and business conduct policies which guide staff behavior to ensure they conduct themselves with integrity.

Additional policies and processes are also in place to mitigate against fraud related events, both internal and external.

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), control testing and conformance reviews by the Second Line of Defense, as well as risk analyses and reporting with a focus on control improvement.

Risk-events and mitigating measures are discussed in a number of Management committees, including the Risk and Compliance Committee (RCC), which is the bank's highest risk governance forum. Control evaluations are performed on a continuous basis and in connection with major changes in operations and product offerings to ensure effectiveness.

Through Business Continuity Planning (BCP) the bank is prepared to minimize the effects of incidents, including crises and disasters, as quickly as possible as and when they occur.

By adopting international-best practice to support our own risk and threat analysis, we define adequate levels of protection for various categories of information and systems through our internal policies which guide the protection of information assets.

Systems

The bank continues to automate its various risk management processes and procedures for better efficiency. Through continued investments in new technology platforms, the bank continues to gain new efficiencies in term of risk reporting, aggregation and visibility for optimized decision-making.

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.

- Being 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 applicable local and international laws. NMB always strives to maintain good 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.
- There were no serious breaches of any regulations during 2021 which could have exposed the bank to material penalties and other measures. Management continues to stress the importance of timely and effective implementation of all regulatory requirements, with zero tolerance for non-adherence.

Risk Management Measures

Compliance Risk is managed in accordance with the bank's Enterprise Risk Management (ERM) framework.

The bank's New Product Approval (NPA) process ensures the availability of a thorough review of Conduct Risk and monitoring mechanisms at 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 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 also serves as the bank's Money Laundering Reporting Officer (MLRO). NMB uses a range of 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 all persons and entities who deal with the bank are continually performed.

The bank also continued to invest in technology to enhance operational efficiency, with implementation of a more enhanced AML, Sanctions Screening and Fraud Detection systems underway.

Liquidity and Solvency Risk

Liquidity Risk is the risk that the bank cannot fulfill 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 that the bank cannot meet 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.

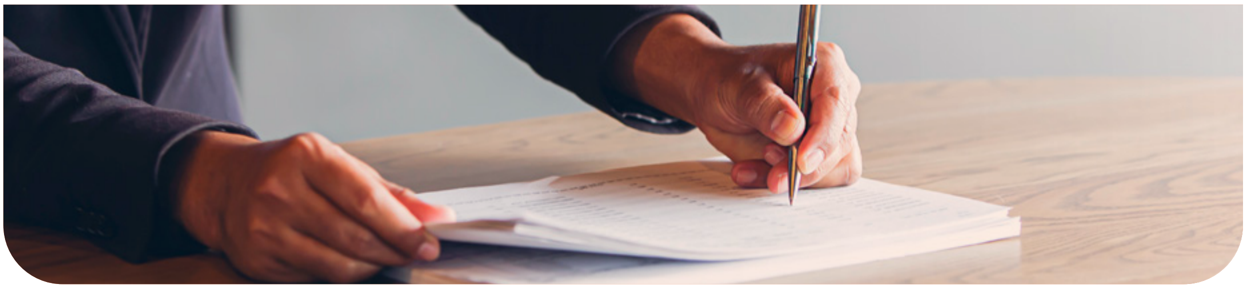
- In general, the bank maintains liquidity reserves to ensure its resilience in the event of any disruptions. The reserve consists of balances with the central bank and securities with a high level of creditworthiness that can be pledged to the central bank or divested on very short notice. NMB also 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, with capitalization levels for the bank's various Risk Weighted Asset classes well-within the regulatory minimum of 14.5%. The bank's Tier 1 Capital Ratio (as a proportion of total risk-weighted assets) stood at 22.6 %, while the bank's total capital ratio (Tier 1 and Tier II) was 23.4% as at end of 2021.

Risk Management Measures

Liquidity risk at NMB is overseen day-to-day by the Treasury function in close consultation with the Middle Office (Market Risk team). A number of tools are used to control this risk, including system limits, dealer mandates, to mention but a few. Close monitoring and tracking of liquidity risk issues is done via the monthly Assets and Liabilities Committee (ALCO) forum.

Solvency Risk is monitored and overseen by ALCO, in addition to other key Management Committees.

Stress-testing is another tool used to monitor the bank's liquidity and solvency risks. Two comprehensive rounds of stress-testing were performed in 2020 incorporating stress scenarios for all key risk factors (liquidity, solvency, market, credit, operational risk as well as a black swan combined stress scenario).



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.

Risk Management Measures

Market risk at NMB is overseen day-to-day by the Treasury function in close collaboration with 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.

Stress-testing is also used to monitor its liquidity and solvency risks, with two comprehensive rounds of stress-testing performed in 2020 incorporating stress scenarios for all key risk factors (liquidity, solvency, market, credit, operational risk as well as a black swan combined stress scenario).

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.

Strategic Risk at the bank is viewed from the vantage points of positioning and execution. The bank's Medium-term Plan (2021-2025) will be monitored and periodically revisited in line with changing market trends and developments, with recalibrations done where necessary.

Risk Management Measures

The bank is focused on executing the Medium-Term Plan. Periodic recalibrations are performed based on market developments.

Material existing and emerging risks to the Bank's future performance:

NMB Bank PLC has identified a broad range of risks to which its businesses are exposed. Material risks are those to which senior management pay particular attention to, and which could cause the delivery of NMB Bank's strategy, results of operations, financial condition and/or prospects to differ materially from expectations. Emerging risks are those which have unknown components, the impact of which could crystallize over a longer time period. In addition, certain other factors beyond the Bank's control, including but not limited to geopolitical risks, natural disasters, global pandemics etc. although not detailed below, could have a similar impact on the Bank.

Top and Emerging Risks 2022:

Compliance Risk

Major Risks:

- Regulatory Changes Risk
- Data Protection Risk
- Conduct Risk
- Crisis Management Risk
- Quality Risk
- Third party

Compliance Risk

Compliance risk is the legal and financial penalties the bank may be exposed to for failure to act under internal and/or external regulations and legislature. Under this broad umbrella, there are different categories of compliance risk, and below are the major ones in relation to NMB.

Regulatory Changes Risk

Risks emanating from fast-changing regulatory landscape.

Data Protection Risk

The risk of the impact of failure to comply with rules and regulations (globally) aimed at protecting customer information. With the rise of data storage and advancement of technology, rules and regulations in relation to privacy and data protection are emerging, e.g. EU Directives on GDPR (General Data Protection Regulations). The speed of technology is expanding rapidly that has resulted in the development of regulations, especially internationally, to protect customer information.

NMB has a robust Compliance function, overseen by a Head of Compliance who also serves as the bank's Money Laundering Reporting Officer (MLRO). The department is divided into three pillar units, one being the Regulatory Affairs Management unit responsible for overseeing and supporting the bank to comply with all relevant banking regulations, guidelines, directives issued by the Regulator and manage our relationship with all relevant regulatory bodies.

Compliance Risk is managed in accordance with the bank's Enterprise Risk Management (ERM) framework. NMB uses a range of 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 all persons and entities who deal with the bank are continually performed via a transaction monitoring system. The bank also regularly invests in technology to enhance operational efficiency and is currently implementing more enhanced AML, Sanctions Screening, and Fraud Detection systems.

Coupled with systems to help mitigate some of the major risks highlighted, NMB also has various internal Policies and Processes detailing the do's and don'ts aligned to relevant local and international banking

Conduct Risk

This is the risk the bank is exposed to when employees fail to comply with our Code of Conduct Policy.

Crisis Management Risk

This risk exposure on the bank took center stage in 2020, amidst Covid-19, as an existing but increased/ emerging risk to the bank. Crisis Management risk is the risk of failure to respond, manage, and recover from unforeseen events. The effect of Covid-19 affected compliance to some regulations, e.g. regulations concerning Know Your Customer (KYC) requirements, and credit related regulations on loans.

Quality Risk

Another key emerging risk the bank is exposed to concerns the risk of failure to comply with the standard of services set by our local regulation (Financial Consumer Protection Regulations, 2019) aimed at protecting the consumer, i.e. customer. These regulations have very strict conditions and requirements with harsh consequences for failure to comply.

regulations and best practice standards, to which staff must adhere to. E.g. Code of Conduct, Anti-Money Laundering Policy, Fraud and Anti-Corruption Policy, etc. Lastly, there are a number of Management Committees and forums where key compliance risks are deliberated upon at Senior Management level with the aim of eliminating/mitigating our risk exposure, e.g. Risk & Compliance Committee; Executive Committee; Board, Audit, Risk & Compliance Committee, and Crisis Management Committee.

Credit Risk

Major Risks:

- Default Risk
- Concentration Risk
- Counterparty Risk

Credit Risk

Credit Risk is the potential that a bank borrower or counterparty will fail to meet their obligations in accordance with agreed terms. NMB's Credit Risk may arise from on balance sheet claims such as loans and overdrafts as well as off-balance sheet commitments such as guarantees and letters of credit.

Default Risk

This is the risk of an obligor not honoring his/her payment obligations. A default is considered to

Credit Risk Governance and Oversight

NMB's Board of Directors has the ultimate responsibility for risk management, control and assurance of the Credit Risk to which NMB is exposed.

NMB's Board of Directors have set a three line of defense model where the first line of defense as far as Credit Risk management is concerned lies with management via Credit department headed by the Chief Credit Officer with the responsibility of identifying, measuring and putting controls or mitigating the identified risks. The second line of defense lies with the Risk and Compliance Department via Credit Risk department where they independently assess adequacy and effectiveness of have occured when an obligor is past due more than 90 days on any material credit obligation or when the obligor is unlikely to pay its credit obligations, without any recourse such as realizing security.

Concentration Risk

This is the risk that arises (i) if an individual unit's exposure is sufficiently large; or (ii) there is a high degree of correlation between one or more of the risk metrics across the following parameters:

Single borrower: the default of a single obligor or group of aggregated obligors.

Collateral: deterioration in the value or liquidity of similar collateral held against one or many obligors.

Industry: deterioration in the economic or external factors affecting obligors in a specific sector

Geography: deterioration in the economic environment or other external factors affecting obligor on a specific geographic location.

Product: change in the risk profile of a specific product or set of products resulting from either internal factors (e.g. Change in maximum concentration limits across obligor and portfolios).

Counterparty Risk

Counterparty Credit Risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default. Unlike the bank's exposure to credit risk through a loan, where only NMB faces the risk of loss for a counterparty's Credit Risk, risk of loss is bilateral risk such that the market value of the transaction can be positive or negative to either counterparty to the transaction. The market value is uncertain and can vary over time with the movement of underlying market factors.

management's approach towards credit risk management and advice both management and the Board on the best way to address the gaps identified and the third line of defense i.e. the Bank's Internal Audit Department, which independently assesses overall risk management of the Bank and provide independent assurance on the adequacy of the process in place.

The Bank has in place a Credit Policy, Credit Risk Management Policy, Pricing Policy, Stress Testing Policy, Mortgage Policy, Risk Appetite Statement and various product-related manuals providing guidance on day-to-day credit operation of the Bank and Management of Credit Risk.

NMB's credit risk management involves measurement and analysis tools such as: Early warning reports (EWL), Excess Alert Triggers, Key risk Indicators (KRI), Risk and Control Self-Assessment (RCSA), Credit Risk Stress Testing (CRST), Risk Appetite Statement (RAS) and Credit Rating Report (CRP) from Credit Bureau.

The Bank has a Special Assets Management (SAM) department that provides special attention and support to loan recovery to address default risk. The principle was to achieve a turnaround in the performance of the client through professional technical support or debt restructuring or manage the bank debt recovery from such relationship in a manner that maximizes loans recovery.

To manage concentration risk NMB has developed a Risk Appetite statement capturing credit concentration limits that are monitored and reported monthly in management committees and quarterly to the Board Credit Committee.

On a quarterly basis, Credit Risk analyzes the performance of counterparties i.e. both local, Internationals banks and some financial Institutions to assess the magnitude of counterparty risk the bank is exposed to as well as managing and monitoring the same.

Market Risk

Major Risks:

- Market Risk
- Liquidity Risk
- Interest rate risk in the Banking Book
- Capital Risk

Market Risk

The risk of loss arising from potential adverse changes in the value of the NMB's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.

Liquidity Risk

The risk that NMB, although balance-sheet solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due (because of funding liquidity risk), or can only do so at materially disadvantageous terms (because of market liquidity risk).

Interest rate risk in the Banking Book

The risk that the NMB Bank Plc is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.

Capital Risk

The risk that the NMB has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes).

NMB continues to monitor its overall Market Risk exposures through its established Risk Management Guidelines including but not limited to the following:

1. **Net Open Position (NOP)** – NMB ensures compliance with NOP ratio as stipulated by regulator
2. **Liquidity** – NMB ensures compliance with liquidity ratios as stipulated by regulators.
3. **Stop loss limits** - Ensure that trade does not proceed if losses being realized exceed the set limits.
4. **Trader limits** - Ensure that the NMB traders comply with the set limits.
5. **Risk measures** – NMB measures sensitivity to changes on interest rates using the Present Value at 1% (PV01) measure. Market risk is also tracked using Value at risk (VaR) measure (defined as the maximum amount of loss of the portfolio measured at certain level of confidence).

Operational Risk

Major Risks:

- Operational Resilience
- External Fraud
- Cyber-attacks
- New and Emerging Technology

Operational Risk

Operational risk is the risk of loss to NMB from inadequate or failed processes or systems, human factors or due to external events where the root cause is not due to credit or market risks. Current top and emerging operational risks in NMB include:

Operational resilience

NMB functions in a highly competitive market, with market participants that expect consistent and smooth business processes. The loss of or disruption to business processing is a material inherent risk within NMB and across the financial services industry, whether arising through impacts on NMB's technology systems or availability of personnel or services supplied by third parties. Failure to build resilience and recovery capabilities into business processes or into the services of technology, real estate or suppliers on which NMB's business processes depend may result in significant customer detriment, costs to reimburse losses incurred by NMB's customers, and reputational damage.

External fraud

The nature of fraud is wide-ranging and continues to evolve, as criminals continually seek opportunities to target NMB's business activities and exploit changes to customer behavior and product and channel use (such as the increased use of digital products and enhanced online services). Fraud attacks can be very sophisticated and are often orchestrated by highly organized crime groups who use ever more sophisticated techniques to target customers and

NMB has put in place a set of IT policies to govern all aspects of IT and maintains Business Continuity

Planning and Data Recovery Policies and Cyber Risk Management including intrusion detection mechanism, vulnerability management and penetration testing and continues developing proactive monitoring capabilities.

NMB's Operational Risk Management involves measurement and analysis tools such as:

1. **Key Risk Indicators**
2. **Risk and Control Self-Assessment tools**
3. **Risk event management**
4. **Stress Testing**
5. **Robust and reliable MIS**

NMB has a dedicated function on technology Innovation that owns, tests, and manages the controls addressing emerging technologies risks.

clients directly to obtain confidential or personal information that can be used to commit fraud. The impact from fraud can lead to customer detriment, financial losses (including the reimbursement of losses incurred by customers), loss of business, missed business opportunities and reputational damage, all of which could have a material adverse impact on NMB's business, results of operations, financial condition and prospects.

Cyber-attacks

Cyber-attacks continue to be a global threat that is inherent across all industries, with a spike in both number and severity of attacks observed recently. The financial sector remains a primary target for cyber criminals. Cybersecurity risks are expected to increase with an increase in business requirements to offer internet-based digital services, reliance on cloud-based services, and new ways of working. Furthermore, the bank's integration with business partners' systems such as the government to process financial transactions also increases the potential for cybersecurity risks.

New and Emerging Technologies

Technological advancements present opportunities to develop new and innovative ways of doing business across NMB, with new solutions being developed both in- house and in association with third-party companies. Introducing new forms of technology, however, has the potential to increase inherent risk.

Inadequate evaluation, management, and close monitoring of these risk exposures during business development could introduce new vulnerabilities and security flaws and have a material adverse effect on NMB.

REPORT OF THE DIRECTORS

CORPORATE INFORMATION

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

Vigilance Attorneys
P. O. Box 785
Arusha

MM Attorneys
P. O. Box 7281
Dar es Salaam

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

AMMIC Advocates
P. O. Box 718
Kahama

Law Associates
P. O. Box 11133
Dar es Salaam

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

Goldmark Attorneys
P. O. Box 1605
Dodoma

Galati Law Chambers Advocates
P. O. Box 11317
Mwanza

Baisatar Advocates
P. O. Box 1854
Mbeya

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

Report of the Directors

1. The Directors present their report together with the audited financial statements for the year ended 31 December 2021, which disclose the state of affairs of NMB Bank Plc (the "Bank" or "NMB") 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.

4. MISSION

To be the Bank of choice, delivering innovative and transformative customer experience that promotes financial inclusion and wellbeing.

5. PRINCIPAL ACTIVITIES

The Bank is a full-service commercial Bank incorporated in the United Republic of Tanzania, and licensed under the banking and Financial Institutions Act, 2006 to conduct banking business in Tanzania. 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.

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. As at 31 December 2021 the Bank has 226 branches, 755 ATMs, 2,407 cash collection points, 2 stand-alone Bureau de change outlets and 10,194 active agents across the country. The Bank is listed on the Dar es Salaam Stock Exchange in Tanzania.

The Bank's subsidiary Upanga Joint Venture Company Limited (UJVC) is specialized in property development and leasing to potential tenants.

6. CORPORATE GOVERNANCE STATEMENT

The Bank is committed to high standards of corporate governance. NMB has a comprehensive range of policies and procedures in place designed to ensure that it is well managed, with effective oversight and controls.

The Board of Directors ("Board") of the Bank sees governance as promoting strategic decision making that balances short, medium, and long-term outcomes, and safeguarding interests of the Bank, shareholders, and the society in which we operate to create sustainable shared value.

Directors have a statutory duty to promote the success of the Bank for the benefit of the stakeholders. In promoting the success of the Bank, Directors must have due responsibility with regard to the long-term consequences of their decisions, the legitimate interests of employees, the need to foster effective business relationships with suppliers, customers and various stakeholders, the impact of the Bank's operations on the community, the environment, and the desire to maintain a reputation for high standards of business conduct.

The Board is committed to ensuring that the Bank complies with the laws, regulations, and standards applicable to the industry. The Board ensures that high standards and practices in Corporate Governance and more specifically the principles, practices and recommendations set out under the Code of Corporate Governance Practices for Listed Companies, 1994 (CMSA Principles of Good Corporate Governance Practices), the Corporate Governance Regulations 2021 as well as the Companies Act, 2002 (CAP 212) are adhered to.

The Board believes that good corporate governance is the core driver of sustainable corporate performance and creates shared value by ensuring the right balance between organizational growth and long-term stakeholders' value.

The Board of Directors of the Bank, regularly reviews its corporate governance arrangements and practices and ensures that the same reflects evolving good corporate governance norms, the developments in regulation, best market practice and stakeholders' expectations. Corporate governance framework enables the Board to oversee the strategic direction of the Bank, financial goals, resource allocation, risk appetite and to hold the executive management accountable for execution.

7. THE BANK'S GOVERNANCE FRAMEWORK

The Bank operates within a clearly defined corporate governance framework which provides for delegation of specific mandates (as may be necessary) and clear lines of responsibility without abdicating the responsibility of the Board. Through the framework, the Board sets out the strategic direction of the Bank while entrusting the day-to-day management of the business and the implementation of the Bank's strategy to the Executive Committee (EXCO) led by the Chief Executive Officer (CEO). The Board operates through four committees mandated to govern specific areas and assist the Board undertake its duties effectively and efficiently in line with the strategic priorities.

NMB has Board's Charter with terms of references which provide for a clear definition of the roles and responsibilities of the Bank's Board Chairman, Directors as well as the Company Secretary. The roles and responsibilities of the Bank's Board Chairman and the Chief Executive Officer are separate and distinct

7. THE BANK'S GOVERNANCE FRAMEWORK (CONTINUED)

with a clear division of responsibility between the running of the Board and the executive responsibility of strategy execution and running of the business. NMB Bank Plc is governed by the Board of Directors. The appointment of directors is regulated by the Memorandum and Articles of Association (MEMARTS) of the Bank, 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.

According to the NMB's MEMARTs, shareholders with more than 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 Annual General Meeting (AGM) for approval and appointments are submitted to BOT for vetting and approval.

The Board is accountable to the shareholders for the overall Bank's performance and is collectively responsible for the long-term success of the Bank. The Board is responsible and accountable for providing effective corporate governance, direction, and control of the Bank.

8. BOARD'S ROLE AND DIRECTORS' RESPONSIBILITIES

The Board's primary responsibility is to protect and maximize shareholders value by considering and monitoring investment decisions, considering significant financial matters and reviewing the performance of management against industry benchmark, budgets, and business plans. The board is accountable to shareholders and is responsible for overall oversight of the Bank and ensure prudent running of the Bank. In fulfilling its primary responsibilities, the Board ensures compliance with the principles of good governance while pursuing economic performance. The Board is also responsible for ensuring that a comprehensive system of internal controls, policies and procedures are in place, 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 Chief Executive Officer assisted by the Executive Committee members.

Board's role and Directors' responsibilities
The Board, led by the Bank Chairman, is responsible among other matters for:

- Promoting the Bank's long-term success and delivering sustainable value to shareholders.
- Establishing and approving the Bank's strategic and financial plans to be implemented by management.
- Setting the Bank's risk appetite and monitoring the Bank's risk profile.
- Oversees the Risk Management Framework and its operation by management.
- Approves capital expenditure for material transactions.
- Reviews succession planning for the management team and makes senior executive appointments, organizational changes, and high-level remuneration issues.
- Provides oversight over performance against targets and strategic objectives.

8. BOARD'S ROLE AND DIRECTORS' RESPONSIBILITIES (CONTINUED)

- Provides oversight over reporting to shareholders on the direction, governance, and performance of the Bank as well as other material events that require reporting and disclosure.

The Management team is encouraged and invited to attend board meetings to facilitate effective communication and assist the board with its deliberations and provide critical insights and analysis of various business units within the Bank.

The Board recognizes the importance of objective judgement, independent thinking, and constructive debate on all issues under Board's remit of consideration. Directors are expected to bring views and judgement to Board deliberations that are independent of management and free of any business relationship or circumstances likely to impair any individual non-executive director's independent and objective judgement.

The Board performs self-assessment annually to confirm independence and objectivity of the members based on the regulatory requirements and best practices.

9. NMB BANK BOARD NOMINATION, APPOINTMENT, INDUCTION, AND TRAININGS

The current Board structure comprises of nine non-executive Directors including the Board Chairman. The Board determines its size and composition, subject to the Company's Articles of Association, Board Charter, and applicable law.

The Board composition is driven by the following principles:

- The Board must comprise majority of independent non-executive directors, hough the current board has one-third non-independent directors.
- The Board should consist of directors with a broad range of skills, experience and expertise and be from a diverse range of backgrounds.
- The Chairman of the Board must be a non-executive director with requisite skills and competence to lead the Board.

Appointments to the Board are made on merit, and candidates are considered against objective criteria, having due regard to the benefits of the diversity of the Board. A selection process is followed in relation to the appointment of Directors and certain specified senior appointments. Non-executive Directors are appointed for an initial three-year term and, subject to re-election by shareholders at each Annual General Meeting (AGM).

All newly appointed non-executive Directors participate in an induction program. The induction program which is coordinated by the Company Secretary includes a series of meetings with other Directors, the Chief Executive Officer, and Executive Committee members to enable new Directors familiarize themselves with the business and different areas of the company. Directors also receive comprehensive guidance from the Company Secretary on Directors' fiduciary duties, and responsibilities as well as liabilities.

9. NMB BANK BOARD NOMINATION, APPOINTMENT, INDUCTION, AND TRAININGS (CONTINUED)

At all times during their tenures, all Directors are expected to maintain the requisite skills and demonstrate ethical standards to carry out their obligations. The Chairman regularly reviews the professional development needs of each Director. The program of continuing education ensures that the Board is kept up to date with developments in the industry both locally and globally. During the year, Directors and the Company Secretary undertook the following training.

- Board Leadership and Corporate Governance Masterclass Africa- 08th and 09th April 2021;
- Effective Audit Committees- 30- 31 August 2021 (Online Training); and
- Board Directorship October 2021 organized by Institute of Directors Tanzania (IoDT)

10. COMPOSITION OF THE BOARD OF DIRECTORS DURING THE YEAR ENDED 31 DECEMBER 2021

The Bank is committed to ensuring the overall effectiveness of the Board and that it achieves the appropriate composition and balance of directors. The Board comprises of non-executive Directors who bring a diversity of skills, experience, and knowledge to the discussion, and play an important role in supporting the Board. The non- executive Directors are expected to have a clear understanding of the strategy of the Bank, Risk and Governance, as well as knowledge of the industry and the operating market.

The aggregate mix of skills and experience of the Directors seeks to bring about individual and collective competence requisite in fostering robust and constructive debate, augments and challenges the strategic thinking of the executives thereby adding value to the Bank. The Board, through the Human Resources committee regularly reviews the skills, knowledge, experience and diversity represented on the Board against the skills and experience needed to deliver the strategy and continues to make efforts on diversifying the skill set and gender. Currently, the Board comprises nine non-executive Directors including the Board Chairman. The Board determines its size and composition, subject to the Company's Articles of Association, Board Charter, and applicable law.

As of the date of this report and for the year ended 31 December 2021, the Board of Directors ("the Board") comprised nine Directors all of whom were Non-Executive Directors

10. COMPOSITION OF THE BOARD OF DIRECTORS DURING THE YEAR ENDED 31 DECEMBER 2021

Directors

	Position	Age	Nationality	Qualification/ Discipline	Date of Appointment/ Retired
Dr. Edwin P. Mhede	Chairman	43	Tanzanian	Economist	Appointed 5 Jun. 2020
Juma Kisaame	Non-Executive	58	Ugandan	Banker	Appointed 5 Jun. 2020
Leonard Mususa	Independent – Non-Executive	68	Tanzanian	Certified Public Accountant	Re-appointed 15 Jun. 2019 & Resigned 18 Jan. 2022
Margaret Ikongo	Independent – Non-Executive	64	Tanzanian	Chartered Insurer	Retired Jun. 2021
Mathias Magwanya	Non-Executive	53	Tanzanian	Auditor	Retired Jun. 2021
Dr. George Mulamula	Independent – Non-Executive	65	Tanzanian	Computer Scientist	Resigned 18 Jan. 2022
Christine Glover	Non-Executive	69	South African	Investment Manager	Appointed 2 Jun. 2018 Resigned 18 Jan. 2022
Hendrik Reisinger	Non-Executive	57	Dutch	Economist/ Banker	Appointed 15 Jun. 2019
George Mandepo	Non-Executive	46	Tanzanian	Lawyer	Appointed 15 Jun. 2019
Benson Mahenya	Independent - Non-Executive	53	Tanzanian	Certified Public Accountant	Appointed 15 Jun. 2019
Theresia Mihayo	Non-Executive	44	Tanzanian	Certified Public Accountant	Appointed 15 Jun. 2021

11. COMPANY SECRETARY

The Bank's secretary as at 31 December 2021 and during the year was Lilian R. Komwihangiro.

The company secretary plays a key role in ensuring good governance by helping the Board and its committees' function effectively and in accordance with terms of references and best practices. The Company Secretary is responsible to;

- Maintaining strong and consistent governance practices at Board level and throughout the Bank.
- Supporting the Board Chairman in ensuring effective functioning of the Board and its committees, and transparent engagement between senior management and the Board.
- Facilitates induction and professional development of Board members.
- Advises and supports the Board and management in ensuring effective end-to-end governance and decision making across the Bank.
- Provides support and guidance to the Board in matters relating to governance and ethical practices.
- Responsible for induction programs of new directors, keeping board members abreast of relevant changes in legislation and governance principles.

12. BOARD COMMITTEES

The Board places significant reliance on its committees by delegating a broad range of responsibilities and issues to them to achieve effective independent oversight and stewardship. It therefore remains crucial that effective linkages are in place between the committees and the Board as a whole, as it is impracticable for all non-executive directors to be members of all the committees.

Mechanisms are in place to facilitate these linkages, including ensuring that there are no gaps or unnecessary duplications between the remit of each committee and overlapping membership between Board committees where necessary. Alongside interconnected committee membership, the Board receives documented summaries of each of the committee's meetings.

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 (BHRC)

iv. Board Credit Committee (BCC)

12.1. Board Executive Committee (BEC):

The Committee assists the Board in fulfilling its oversight responsibilities in accordance with the Articles of Association of the Company. The Committee, which is a steering committee for the full Board, shall

12. BOARD COMMITTEES (CONTINUED)

12.1. Board Executive Committee (BEC) (Continued):

have an oversight role over the critical key projects of the Company, provide guidance, support and mentor Management during transitional periods as well as be involved in any crisis situation that may arise within the Company.

It is the general intention that all substantive matters in the ordinary course of business are brought before the full Board for action and/or ratification, but the Board recognizes the need for flexibility to act on substantive matters where action may be necessary between Board meetings.

This committee met three (3) times during the year. It comprised of the following members;

Name	Nationality	Qualification/Discipline
Dr. Edwin P. Mhede	Tanzanian	Economist
Christine Glover	South African	Investment Manager
Theresia Mihayo	Tanzanian	Certified Public Accountant
Juma Kisaame	Ugandan	Banker

12.2 Board Audit, Risk, and Compliance Committee (BARCC)

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, reporting and internal controls; performance of the Internal Audit, Risk and Compliance Functions; compliance with legal and regulatory requirements; adequacy of the risk management function; the oversight responsibility on planning and conduct of audits to determine that the Bank's financial statements and disclosures are complete and accurate and are in accordance with International Financial Reporting Standards and applicable laws, rules and regulations.

Audit Functions:

The BARCC assists the Board by providing oversight of the Bank's financial reporting responsibilities including external audit independence and performance. The Audit Committee comprises of three independent Directors. The Committee's responsibilities include the following:

- Reviewing the quarterly and full- year statutory financial reports for recommendation to the Board.
- Reviewing significant accounting estimates and judgments used for the preparation of the financial reports.
- Advising the Board on the Bank's financial reporting requirements to ensure that the Board has exercised oversight of the work carried out by management, Internal Audit Function, and the external auditor.

12. BOARD COMMITTEES (CONTINUED)

12.2 Board Audit, Risk, and Compliance Committee (BARCC) (Continued)

- Reviewing and approving any new or proposed changes in the Bank accounting policies.
- Monitoring developments in statutory reporting and accounting and disclosure requirements.
- Reviewing the effectiveness of, and ensuring that management has appropriate internal controls over, financial reporting.
- Reviewing and monitoring the relationship with the external auditor and oversees its appointment, tenure, rotation, remuneration, independence, and engagement for non-audit services; and13 BOARD COMMITTEES (CONTINUED)
- Overseeing the work of the Internal Audit and monitoring and assessing the effectiveness, performance, resourcing, independence and standing of the function.

BARCC, also has overall non-executive responsibility for oversight of risk-related matters and the risks impacting the Bank.

Risk and Compliance Functions:

- Advising the Board on risk appetite-related matters, and key regulatory submissions.
- Overseeing and advising the Board on all risk-related matters, including operational risk, financial risks, non-financial risks, and the effectiveness of the Bank's Enterprise Risk Management framework.
- Undertaking a review and challenge of the Bank's stress testing exercises.
- Reviewing the effectiveness of the Bank's enterprise risk management framework and internal controls systems.
- Reviewing the Bank's overall Risk Appetite Statement and makes recommendations to the Board.
- Reviewing the appropriateness and effectiveness of the Bank's risk management systems, considering the implications of material regulatory change proposals, reviewing reports on principal risks to the Bank's business; and
- Maintaining an oversight of all risk-related matters and the risks impacting the Bank.

This committee met 10 times during the year. It comprised of the following members;

Name	Nationality	Qualification/Discipline
Leonard Mususa	Tanzanian	Certified Public Accountant
Benson Mahenya	Tanzanian	Certified Public Accountant
Dr. George Mulamula	Tanzanian	Computer Scientist
Mathias Magwanya	Tanzanian	Certified Public Accountant

12. BOARD COMMITTEES (CONTINUED)

12.3 Board Human Resources and Remuneration Committee (BHRC)

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, governing laws and highest standards of governance.

Committee's Functions:

- The critical role of the Committee is to ensure robust succession planning is in place and that the composition of the Board and its committees continue to evolve, providing effective oversight of the Bank's strategy.
- To ensure the Bank has a truly diverse Board comprising individuals with a range of skills, backgrounds, experience, and perspectives remains key to the Board's continuing effectiveness.
- The Committee keeps under review the leadership needs of, and succession plans for, the Bank in relation to senior executives.
- The Committee has oversight of the process by which the Board, its committees and individual directors assess their effectiveness.
- The Committee is responsible for Board Members and Senior Executive appointment process.
- The Committee is responsible for overseeing the remuneration of Senior Management, determining the framework and policies for remuneration and overseeing workforce remuneration, for alignment of reward, incentives and culture.

This committee met four (4) times during the year. It comprised of the following members:

Name	Nationality	Qualification/Discipline
Christine Glover	South African	Investment Manager
Hendrick Reisinger	Dutch	Economist/ Banker
Theresia Mihayo	Tanzanian	Certified Public Accountant
George Mandepo	Tanzanian	Lawyer

12.4 Board Credit Committee (BCC)

The Committee assists the full Board in the management of credit risk by reviewing continuously the credit portfolio, credit standards, and Credit Policy.

This committee met 16 times during the year. It comprised of the following members:

12. BOARD COMMITTEES (CONTINUED)

12.4 Board Credit Committee (BCC)

Name	Nationality	Qualification/Discipline
Hendrick Reisinger	Dutch	Economist/ Banker
Christine Glover	South African	Investment Manager
George Mandepo	Tanzanian	Lawyer
Juma Kisaame	Ugandan	Banker

13. BOARD ACTIVITIES DURING THE YEAR

During the year, there were 11 Board meetings seven (7) of which were Special Board Meetings). There were also;

- 16 Board Credit Committee meetings,
- Four (4) Board Human Resources and Remuneration Committee meetings,
- 10 Board Audit, Risk and Compliance Committee meetings (six (6) of which were Special BARCC meetings) and
- Three (3) Board Executive Committee meetings.

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

Name	Board	BARCC (10)	BCC (16)	BHRC(4)	BEC(3)
Dr. Edwin P. Mhede	11	n/a	n/a	n/a	3
Juma Kisaame	10	3	n/a	n/a	3
George Mandepo	8	n/a	13	3	n/a
Margaret Ikongo*	5	n/a	7	2	1
Mathias Magwanya*	5	4	n/a	n/a	n/a
Dr. George Mulamula***	11	10	n/a	n/a	n/a
Leonard Mususa***	10	10	n/a	n/a	n/a
Christine Glover ***	10	n/a	16	4	3
Hendrik Reisinger	11	n/a	16	4	
Benson Mahenya**	4	4	n/a	n/a	n/a
Theresia Mihayo**	5	1	2	2	2

n/a – not applicable **Retired from Board on 4 June, 2021* ***Appointed at Annual General Meeting on 4 June 2021*
****Resigned from the Board on 18 January 2022*

13. BOARD ACTIVITIES DURING THE YEAR (CONTINUED)

In 2021, the Board focused on reviewing progress of the new Medium-Term Plan (MTP) 2021-2025 and relevant strategic initiatives, reviewing, and approving governance policies, and overseeing performance and risk. It considered performance against financial and other strategic objectives, key business challenges, emerging risks, business development, and the Bank's relationships with its stakeholders. The end-to-end governance framework facilitated discussion on strategy and performance by each business which enabled the Board to support executive management with oversight and delivery of the Bank's strategy.

The Board's key areas of focus in 2021 were:

Strategy and business performance

- The Board received progress updates and monitored the progress made on key strategic initiatives (under year 1 of MTP) and financial commitment, with the overall progress on strategy commendable across board.
- Monitored and assessed the strength of the Bank's capital and liquidity positions.
- Received regular corporate development updates.
- Reviewed potential scenarios with probable material impact on performance and the Bank's strategic considerations in light of the market developments.
- Received an update on the progress of the Operations strategy, including the focus on Operations re-engineering through Simplification, Automation and Migration.
- Received an update on progress against the Bank's Retail Banking strategy.
- Received an update on the Wholesale Banking Business, including progress against the strategic priorities, revenue, risk, and controls.
- Received an update on the priorities and progress against the cross-border strategy including a focus on the strategic opportunities and initiatives across the Region.
- Discussed progress of the costs and investment initiatives.
- Approved the Bank's risk appetite and review risk profile and performance.
- Received updates on the progress of Digital Transformation strategy and related initiatives.
- Received and reviewed implementation of the key strategic projects.

Financial decisions

- The Board approved quarterly financial statements for publication in line with the respective regulations.
- The Board approved key financial decisions throughout the year and approved the Annual Report and Audited Financial Statements for the year ended 31 December 2020.

13. BOARD ACTIVITIES DURING THE YEAR (CONTINUED)

Financial decisions (continued)

- The Board passed a proposed dividend payout of TZS 137 per ordinary share for the year ended 31 December 2020. A total dividend payout of TZS 68.5 billion was recommended by the Board for Shareholders' approval at the Annual General Meeting.

Budget and performance oversight

- Monitored the Bank's financial performance against the budget for the year 2021.
- Approved the Bank's 2022 budget and key strategic initiatives.
- Approval of the quarterly financial results for publications.
- Approved the full year financial results, and considered the key internal and external factors in determining payment of dividend.
- Monitored the Bank's Competitor and Market position and performance for the full year 2021.
- Noted management's presentation to the Board in respect of the 2021 risk scenario stress test assessed and potential material impact on performance.

Risk, regulatory and legal considerations

- The Board, advised by the Board Audit, Risk and Compliance Committee (BARCC), promotes a strong risk governance culture that shapes the Bank's risk appetite and supports the maintenance of a strong risk management framework, giving consideration to the measurement, evaluation, acceptance and management of risks, including emerging risks.
- Received regular Risk and Compliance reports from the Chief Risk and Compliance Officer with focused highlight on the Bank's risk and control operating environment.
- Received an update on the implementation of various cybersecurity initiatives to protect the Bank from advanced forms of cyber-attacks.
- Received the 2020 BoT Examination Report, noted key findings thereof, considered and approved the Management's responses and related actions.
- Received and discussed control issues raised by the Internal Audit Function with recommendations from management to remediate the control gaps for enhanced risk management.
- Approved the risk appetite validation of the 2022 Budget.

Technology

- Throughout the year, the Board received regular updates on technology from the Chief Digital and Technology Officer including implementation status of digital and technology related initiatives.
- The non-executive Directors with deep technology experience worked in collaboration with the Chief Digital and Technology Officer to enhance the Bank's technology infrastructure and cybersecurity.

13. BOARD ACTIVITIES DURING THE YEAR (CONTINUED)

People, culture, and values

- Received an update on Executive Committee succession planning and an overview of the refreshed People Strategy for 2022.
- Received an update of implementation of critical training interventions linked to MTP and culture transformation program.
- Received and discussed the findings from the Employee Opinion Survey (EOS) and approved recommendations of implementation actions.
- Received and discussed remuneration plan and salary adjustments to staff, including EXCO members.
- Engaged on the interview and selection for the recruitment of the Executive Committee members recruited in the year 2021.

External environment

- Received an update on the macroeconomic headwinds and tailwinds in the global economy, including an assessment of their impact on the key drivers of the Bank's financial performance.
- Received an update of the Tanzania operating environment, forecasts and impact of macroeconomic and policy trends on the key drivers of the Bank's financial performance.
- Received and discussed various regulatory changes and the impact to the business.

Governance

- The Board continued to oversee the governance, smooth operation and oversight of the Bank.
- The Board continued to review the skills and experience of the Board as a whole to ensure that it comprises the relevant skills, experiences and competencies to discharge its responsibilities effectively.
- The Board monitored its compliance with the Principles of Good Corporate Governance Practices, and the Companies Act 2002 throughout the year.
- The Board performed annual self-assessment to determine its effectiveness and identify any specific training needs to the Board members.

14. CORPORATE GOVERNANCE AND MANAGEMENT OF THE SUBSIDIARY

The subsidiary is 86.22% owned by the Bank. The Board of Directors (the "Board") consists of three Directors. Two directors hold executive position in the Bank. The Board takes overall responsibility for the company, 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 control policies and procedures is operative, and for compliance with sound corporate governance principles.

14. CORPORATE GOVERNANCE AND MANAGEMENT OF THE SUBSIDIARY (CONTINUED)

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 Executive Directors assisted by parent company professionals on areas of accounting and secretarial services as per management service agreement. No sub committees have been formed for the subsidiary Board.

The Management of the Company is under the Executive Directors. Due to the minimal number of transactions, the Company has no employees. The secretarial and other accounting services have been outsourced to the parent company as per management service agreement. As volume of transactions increases, the company shall review its structure and fill any identified gaps accordingly.

The following were the board members of the Upanga Joint Venture Company Limited during the year ended 31st December, 2021

Name	Position	Age	Nationality	Qualification/ Discipline	Date of Appointment
Ruth Zaipuna	Executive Director/ Chairperson	48	Tanzanian	Chief Executive Officer, NMB Bank Plc.	15/07/2020
Robert Mwita	Executive Director	39	Tanzanian	Head; Finance and Reporting, NMB Bank Plc.	15/07/2020
Mafuru Majura	Director	59	Tanzanian	Director, Nyumba ya Sanaa and Culture Limited.	15/07/2020

15. EXECUTIVE COMMITTEE

The Management of the Bank is led by the Chief Executive Officer (CEO) assisted by the Executive Committee (EXCO). The Management of the Bank at the date of the report consisted of the following:

Title	Responsibilities
Chief Executive Officer Ruth Zaipuna	Overall responsible for driving the Bank's corporate strategy to deliver sustainable business growth.
Chief Financial Officer Juma Kimori	Overall responsible for the financial management, regulatory reporting, tax compliance, general ledger reconciliations, investor relations, and accounting of the Bank.
Chief Retail Banking Filbert Mponzi	Chief Retail Banking is overall responsible for development and execution of the Retail Banking Strategy for NMB Bank PLC, with focus on delivering the best in-class innovative, customer centric financial services for Individual, MSME and Agribusiness customers that promote financial inclusion.
Chief Wholesale Banking Alfred Shao	Overall responsible for Large Corporate customers and business, Transactional business, Government, and International Trade.
Treasurer Aziz Chacha	Leads the treasury department and supports the Bank in foreign exchange business, investment in securities and market and liquidity risk management.
Chief Credit Officer Daniel Mbotto	Overall responsible for all credit department which includes the appraisal of loans, portfolio management, and collection of bad debts, ensuring a sound portfolio quality and training of credit department staff.
Chief Human Resources Emmanuel Akonaay	Overall responsible for development and execution of Human Resource strategy in support of the overall business plan and strategic direction of the Bank and providing the necessary guidance to the HR team in strategy implementation.
Chief Technology and Digital Transformation Kwame Makundi	Overall responsible for driving the Bank's digital and technology strategy.
Chief Shared Services Nenyuata Mejooli	Overall responsible for shared services support ensuring conducive workplace across the Bank, strategically and operationally managing customer experience, facilities, Business Continuity Management, operational transformation, and management and execution of strategic projects in the Bank.
Ag. Chief Risk and Compliance Oscar Nyirenda	Overall responsible for sound monitoring, mitigating, and reporting the Bank's business risks as well as ensuring compliance with policies, procedures and relevant regulations.
Chief Internal Auditor Benedicto Baragomwa	Overall responsible for managing Internal Audit and other assurance activities of the Bank and reports to the Board of directors.

16. 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 conducting a market survey, which is brought to the Board for review before being presented to the Annual General Meeting (AGM) for approval.

17. 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.

18. INTERNAL AUDIT FUNCTION

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

19. 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 2,000 (2020: TZS 2,340). Market capitalization as at 31 December 2021 was TZS 1,000 billion (2020: TZS 1,170 billion).

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

20. CAPITAL STRUCTURE

The Bank's capital structure for the year under review is disclosed in note 35 to the financial statements.

Details of the capital management and regulatory capital are disclosed in note 6.6.

21. SHAREHOLDERS OF THE BANK

The total number of shareholders as at 31 December 2021 is estimated to be 17,358 (2020: 17,512). None of the Directors is holding a significant number of shares at the Bank.

21. SHAREHOLDERS OF THE BANK (CONTINUED)

The following is a list of shareholders who individually own 0.6% or more of the shares of the Bank.

Name of the Shareholder	2021		2020	
	%	Number of Shares	%	Number of Shares
Arise B.V	34.9	174,500,000	34.9	174,500,000
The Treasury Registrar	31.8	158,901,800	31.8	158,901,800
National Investments Company Limited (NICOL)	5.3	26,449,520	6.6	33,049,520
National Social Security Fund (NSSF Uganda)	4.7	23,400,000	4.7	23,400,000
Aunali Fidahussein Rajabali	3.0	14,930,764		-
Sajjad Fidahussein Rajabali	3.0	14,814,890		-
Public Service Social Security Fund (PSSSF)	1.6	7,790,451	1.6	7,790,451
Banque Pictet And Cie Sa A/C Patrick Schegg	1.0	5,079,000	1.0	4,972,700
Duet Africa Opportunities Master Fund Ic	0.9	4,498,923	0.9	4,498,923
Zanzibar Social Security Fund	0.6	2,950,326		-
Umoja Unit Trust Scheme	0.6	2,811,280	0.6	2,811,280
TCCIA Investment Company Ltd	0.6	2,793,876	0.5	2,611,886
Aunali F Rajabali &/ Or Sajjad F Rajabali	-	-	5.0	25,000,000
Kuwait Investment Authority	-	-	0.7	3,500,000
Orbit Securities Co. Ltd Itf Wwb Capital Partners, Lp.	-	-	0.5	2,372,044
General Public	12.2	61,079,170	11.3	56,591,396
Total	100	500,000,000	100	500,000,000

22. STRATEGIC OBJECTIVES

The Bank's mission that drives its long-term strategic focus is to be the Bank of choice; delivering innovative and transformative customer experience that promotes financial inclusion and wellbeing. While fulfilling the said mission, NMB seeks to maintain its leadership in financial performance, leading in digital and innovation, and keeping a stronghold in the retail and wholesale markets. The Bank has re-imagined its Medium-Term Plan focusing on three pillars namely winning propositions, operational efficiency, and innovate for the future. Under each strategic pillar there are a number of strategic thrusts to guide the Bank's execution going forward.

Winning proposition

- Drive loyalty with Mass: Mass customers expected to drive 20% of overall market growth (19-25%) and Bank's revenue market share is estimated at 55%. We intend to embed banking services into communities (e.g farmers, urban students etc) by using partnerships (e.g with MNOs, BancAssurance) and retooling the NMB foundation to provide financial literacy services and business coaching.

- Win in core middle: Core middle expected to drive 25% of overall market growth (19-25%); NMB market share is estimated at 20%. To win, Bank will leverage its experience serving government workers to corporates through bundled employer schemes and direct relationships, with customer acquisition driven by digital experiences.

- Win in SME (Start with Agri): SME is driving 30% of growth in banking revenues in Tanzania but has structural challenges related to limited focus, unoptimized offering, insufficient automation and lack of data to create insights – agriculture has opportunity and in particular accounts for 50% of SME in NMB.

- Deepen penetration in wholesale: Wholesale expected to contribute 20% of banking revenue growth over the next five years. Average share of wallet is 8%, and NFI/total income ratio is also relatively low at around 17% (vs. 30-50% benchmarks), with relationship managers (RM) time not being sufficiently spent on selling activities. Winning will involve introducing new commercial tools and routines, processes redesign along with new products.

Operational efficiency

- Boost branch productivity: Low teller productivity (less than 50 transactions per day) compared to benchmark (70-100 transactions per day) and insufficient sales time to RMs results in low branch productivity. The Bank intends to migrate transactions out of the branches (currently 94% taking place out of branches), drive sales excellence through regular tracking routines, simplify and automate processes, and implement systems that help to address observed customer experience bottlenecks.

- Organisation productivity: The Bank remains focused on boosting overall productivity by continuously looking to improve on its performance management practices, systems and routines. The goal is to transform NMB into one of the highest performing organisations in the region by fully embracing a meritocratic culture. Rewards, recognition and equally remuneration are continually being aligned to support stated productivity improvement objective. Bank's productivity, revenue/ FTE was USD 91k (in 2019) and the same has improved to USD 121K in 2021.

22. STRATEGIC OBJECTIVES (CONTINUED)

Operational efficiency (continued)

- End-to-end Credit Risk management; the Bank looks to leverage on opportunity to further bolster its credit risk processes through risk scoring, risk adjusted pricing and automation of underwriting process. This is to be achieved by deploying early warning systems and applying differentiated collections approach that is powered by advanced analytics.

Innovate for the future

- Strengthen data infrastructure and utilization capabilities to drive sales and operational efficiencies. The Bank has identified digital and analytics skills to be crucial to its business agenda going forward. The Bank intends to rely on expertise from data engineers and data scientists to establish a digital and analytics hub with business linkages to support creation of banking products and sales strategies in an agile way. The Bank has embarked on various projects to ensure streamlining of data across the organization.

- Delight customers: we have identified all customer journeys (online and offline) with aim of redesigning to ensure great customer experience. This goes along with Bank's commitment to frequently and consistently seeking voice of the customer via established tools such as NPS scores (59% in 2021) and CSAT scores.

- Enhance IT infrastructure: The Bank has identified its IT infrastructure estate as a critical support system that needs to be constantly reviewed to ensure it stays abreast of the changes in both technology and business dynamics. While banking systems have traditionally been product based, market dynamics are pointing towards an emphasis on customer 360 real time processing and visibility across multiple platforms. The Bank has ensured in its plans that the shifting dynamics are being adequately addressed.

23. BUSINESS ENVIRONMENT AND MARKET OVERVIEW

Global macro landscape

Global growth is estimated to have surged to 5.5 percent in 2021, its strongest post-recession pace in 80 years, as a relaxation of pandemic-related lockdowns in many countries helped boost demand. Notwithstanding this annual increase, resurgences of the COVID-19 pandemic and widespread supply bottlenecks weighed appreciably on global activity in the second half of last year.

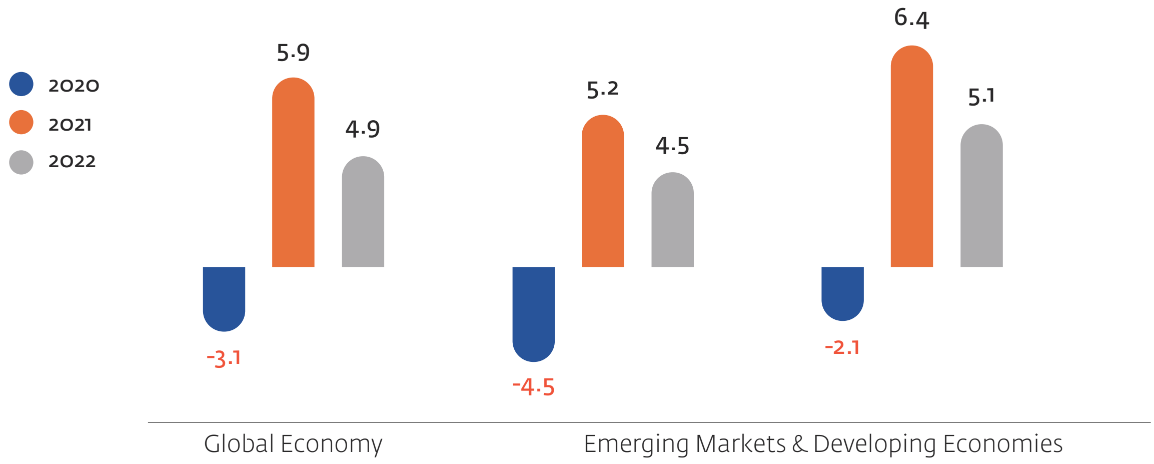
Policy wise, Governments around the world implemented roughly USD 10.8 trillion of fiscal stimulus, or roughly 13% of global GDP (JLL Research). Meanwhile, central banks around the world implemented heavily stimulating monetary policy. Beyond cutting policy rates to incredibly low levels, they also heavily intervened in capital markets via quantitative easing to help bring down rates across the yield curve and in the process expanded the money supply. This combination of strong fiscal stimulus and heavy monetary intervention stabilized the global economy.

Inflation rebounded quickly as a result of recovering economic activities. While global inflation marginally rose throughout the year, it, however, remained moderate in 2021 within target bands for most countries

23. BUSINESS ENVIRONMENT AND MARKET OVERVIEW (CONTINUED)

Global macro landscape (continued)

as base effects fade with bottleneck price pressures particularly from higher oil prices and supply-side constraints lessen over time.



World Economic Outlook October 2021: Growth Projections

On the commodities front, there was clear differentiation in the performance of metals relative to energy prices. While high oil prices, relative to 2020, are persisting as demand recovers and the price elasticity of non-OPEC+ supply reduces, prices for precious metals such as Gold are decreasing. This is a result of the diminishing Chinese credit impetus; the Fed shift towards normalization and the gradual recovery in supply that have started to weigh on both industrial commodities and precious metals.

Finally, in an environment of persistently low interest rates, the search for returns saw investors favouring equities. Amid concerns about the permanence of rising inflation, equities remained the preferred asset class despite volatility spikes and temporary pullbacks. The dominant global theme remained the search for value in sectors that benefit from the return to post-pandemic normality as vaccinations support an economic growth that is driven not only by consumer expenditure, but the coming infrastructure build in multiple markets.

Global economic outlook

According to the World Bank, the near-term global outlook is a touch below previous forecasts, with a modest downgrade to growth in both advanced economies and Emerging Markets and Developing Economies (EMDEs). The outlook is subject to various downside risks. After rebounding to an estimated 5.5 percent in 2021, global growth is expected to decelerate markedly to 4.1 percent in 2022, reflecting continued COVID-19 flare-ups, diminished fiscal support, and lingering supply bottlenecks. The near-term outlook for global growth is somewhat weaker, and for global inflation notably higher, than previously envisioned, owing to pandemic resurgence, higher food and energy prices, and more pernicious supply disruptions.

23. BUSINESS ENVIRONMENT AND MARKET OVERVIEW (CONTINUED)

Global economic outlook (continued)

In 2022 growth in advanced economies is estimated to decelerate from 5 percent levels in 2021 as the unwinding of pent-up demand only partly cushioned a pronounced withdrawal of fiscal policy support. EMDE growth is projected to slow from 6.4 percent levels to an average of 5 percent (or below) in 2022, as the ongoing withdrawal of macroeconomic support, together with COVID-19 flare-ups amid the spread of the Omicron variant and continued vaccination obstacles, weigh on the recovery of domestic demand.

Critically, the continued spread of COVID-19 amid unequal distribution of vaccines across countries opens the door to new concerning strains, as exemplified by the Omicron variant first detected in November 2021.

Tanzania operating environment and economic outlook

The economic outlook is positive with real GDP projected to grow at 5.2 percent in 2022, due to improved performance from tourism sector and the reopening of trade corridors as outlined in the budget speech 2021/2022.

With an average real GDP growth rate of 7 percent over the past decade (2010-2019), Tanzanian is among the fastest-growing economies in Africa and in the world. According to the IMF, the real GDP of Tanzania grew by 4.7 percent in 2020, negatively impacted by the global COVID-19 pandemic.

Government policy responses and strong macro-economic fundamentals cushioned the Economy from adverse impact of COVID-19 in 2021. As a result, compared to its peers within the region, Tanzania experienced relatively strong economic growth in 2021 albeit continued impact of COVID-19. Policy Responses and Macro Fundamentals also sustained growth of the Banking Sector

As a result, in 2021, Tanzania's GDP growth accelerated to 5.7 percent, bolstered by strengthening private consumption and recovering exports as global restrictions continued to ease.

23. BUSINESS ENVIRONMENT AND MARKET OVERVIEW (CONTINUED)

Tanzania operating environment and economic outlook (continued)

To provide great impetus to fast increase credit to the private sector and lower interest rates, thereby hastening recovery of the economy, the Bank of Tanzania implemented the following measures effective July 2021:

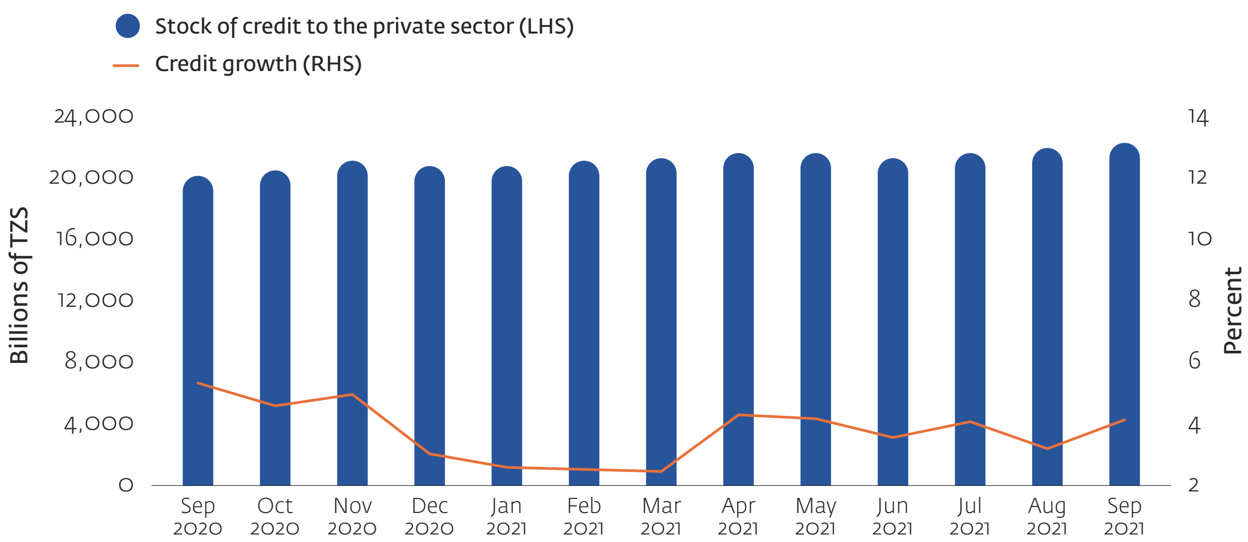
	Policy Measure	Intended Outcome
SMR Reduction	A Bank that extends credit to agriculture shall be eligible to a reduction in SMR amount equivalent to the loan extended	• Increased lending to agriculture • Reduced interest rates on loans to agriculture
Relaxation of Agency Banking Requirements	18 months business experience requirement removed; instead, agency banking applicants to provide NIDA to be considered eligible	• Increased loanable funds to banks through deposit mobilization • Lower lending rates
Mobile Money Trust Accounts	MNO Trust Account Balances held with banks eligible to interest rates not exceeding the rate offered on saving deposit account	• Lower cost of funds to banks, thus helping to reduce lending rates
Introduction of Special Loan	Special loan amounting to TZS 1 trillion to banks for on-lending to private sector (at interest rate not exceeding 10% p.a.)	• Increased liquidity to banks and reduced lending rates; increased lending to key sectors (e.g. Agri)
Reduction of Risk Weight on Loans	Regulator to reduce risk weight on different categories of loans in computation of regulatory capital requirements of banks	• Measure will provide opportunity to banks to extend more credit to the private sector

Measures rolled out by the Bank of Tanzania in July 2021 and the recovery of global activity from the pandemic have positively led to the increased credit to private sector:

- Domestic credit extended to private sector and central government grew at an annual rate of 7 percent in September 2021, compared with 10.7 percent in September 2020.
- Private sector credit growth improved to 10 percent in January 2022, up from 3.2 percent in August 2021, reflecting policy measures adopted by the Central Bank to promote credit intermediation and ongoing normalization of the global economy.
- The decomposition of credit growth to major economic activities indicates that credit was largely extended to personal loans, which includes small and medium enterprises, followed by trade and manufacturing indicating a recovery of trade and manufacturing sectors which were adversely impacted by the Pandemic globally.

23. BUSINESS ENVIRONMENT AND MARKET OVERVIEW (CONTINUED)

Tanzania operating environment and economic outlook (continued)



Source: BOT Monthly Economic Bulletin October 2021

Further, in its efforts to mitigate the economic impact of the COVID-19 pandemic the government recently received a USD 567.25 million Rapid Credit Facility from the International Monetary Fund (IMF). The relief fund will strengthen and improve delivery and access to social services in the water, education, and health sectors. The resources are also expected to play a catalytic role in the country's efforts to mobilize additional support from development partners.

Annual headline inflation increased slightly to 4.2 percent in December 2021 compared to 4.0 which was recorded in September 2021. It was the highest inflation rate since November 2017, the increase was mainly due to the higher prices of food and non-alcoholic beverages. Inflation remained within the 3-5 percent in the full year of 2021 which is in line with EAC and SADC convergence criteria.

Overall lending rates slightly decreased to an average of 16.4 percent in Q4 2021 down from 17.0 percent that was recorded in Q3 2021. Interest rates on deposits decreased by 103bps to an average of 6.71 percent in the quarter under review from 7.74 percent recorded in Q3 2021.

The shilling remained broadly stable against major global trading currencies, trading at an average of TZS 2,305.61 per USD in Q4 2021 from TZS 2,306.50 per USD recorded in Q3 2021, with the shilling's performance. owing to increased inflows from tourism related activities, exports of minerals and commercial crops like cashew and coffee.

In 2021, the Tanzanian Banking Sector remained sound and well capitalized. The sector posted strong profitability results, with the top 10 large banks sharing a record net profit of TZS 715 billion. The strong Industry performance was driven by solid income growth, cost containment, and a decline in impairment provisions.

23. BUSINESS ENVIRONMENT AND MARKET OVERVIEW (CONTINUED)

Tanzania banking sector

Digital banking services continue to expand driven by increasing financial inclusion and mobile penetration rate. In the wake of the pandemic, BOT continued to take a series of policy measures to bolster the banking sector, including cutting the discount rate, and reducing the statutory minimum reserves (SMR) requirement to support the increase in market liquidity and to spur private sector credit growth.

Overall, the banking sector remained resilient in 2021. The sector is expected to continue to remain on its growth trajectory supported by policy, prudential and regulatory measures undertaken by the Bank of Tanzania towards improving the business environment and efficiency in financial services delivery.

NMB Bank

Compared to its peers in the market, NMB Bank recorded yet another industry record-breaking performance in 2021, delivering a consolidated profit before tax of TZS 418 billion (2020: TZS 301 billion), up 40% year on year.

The Bank's differentiated business model and disciplined execution of its strategic initiatives continue to drive market share gains, and further cementing the Bank's leading position within the market. The consolidated profit after tax of TZS 292 billion is up by 38% year on year and above full year 2020 (TZS 210 billion) industry record-setting profitability.

The strong growth in profitability was on the back of solid operating income growth of 18% year on year – both from net-interest income growth of 19% year on year due to increase in loans and advances, coupled with an increase in non-funded income by 15% year on year reflecting increased customer activities on the Bank's channels.

The Bank has also continued to demonstrate laudable operational efficiency with further improved cost-to-income ratio of 46% (from 51% in 2020), being well within the regulatory threshold of 55%. Close management of the loan book and strong customer relationship management saw improvement in overall asset quality, with its Non-Performing Loan (NPL) ratio decreasing to 4% as at December 2021 (from 5% in 2020), well below the 5% regulatory threshold.

The Bank maintains a strong balance sheet with sustained growth demonstrating enhanced customer relationships in core business segments. Loans and Advances increased by 13% year on year to TZS 4.6 trillion owing to commendable credit portfolio growth in key market segments including Agri-business, SME, and Personal Loans. The total assets of the Bank reached TZS 8.7 trillion (2020: TZS 7.0 trillion), attributed to a commendable growth in customer deposits, loans and advance, and strategic investment in Government Securities.

Looking to the future, the Bank is optimistic about the journey that lays ahead and the Bank will continue to focus on unlocking its potential and utilizing its strong fundamentals to create more value and shared prosperity for its stakeholders.

24. ENVIRONMENTAL CHALLENGES AND BANK'S CLIMATE ACTIONS

According to UNDP, Greenhouse emissions are more than 50 percent higher compared to the 1990's levels. Global warming is causing long-lasting changes to our climate system, which threatens irreversible consequences if there is no collective responsibility. The annual average economic losses from climate-related disasters are in the hundreds of billions of dollars, with far reaching impact to advancing economies like Tanzania.

In this regard, behaving in a responsible and sustainable way is fundamental to achieving our mission of being the Bank of choice, delivering innovative and transformative products and solutions that leaves a sustainable imprint in the society. NMB Bank seeks to continue fulfilling its goal of being a strategic ally in the economic, environmental, and social development of Tanzania.

In recognition of our responsibilities as a vehicle for sustainable social-economic prosperity in Tanzania, our goals extend beyond economic and financial dimensions, to include environmental, social, and governance challenges. Observing the principles of sustainable banking, NMB Bank PLC, as a responsible financial intermediary, aims to promote the United Nations' Sustainable Development Goals (SDGs) through provision of products and services and our business operations, all undertaken with a sense of social and environmental responsibility and stewardship.

Our climate actions go hand in hand with measures to integrate environmental related risks and considerations into our strategic focus, and daily operations. In November 2020, the Bank adopted an Environmental and Social Impact Management Policy that includes processes to ensure that credit decisions and projects financed consider the analysis of environmental and social risk factors. The Bank identifies and manages environmental and social risks across its portfolio by using environmental and social risk assessment tools which are integrated in the Bank's loan approval process to assess the environmental and social risk profiles of potential customers and related projects that are financed by the Bank.

25. PARTICIPATION IN ENVIRONMENTAL PROTECTION ACTIVITIES

The Bank is committed to working with customers, colleagues, and communities to support their transition to a resilient, net zero economy by 2050, in line with the global coalition for carbon neutrality and UN Sustainable Development Goals. The Bank has supported different initiatives in line with climate change:

- Our participation in the Tigo Go green initiative challenge has helped to create awareness on tree planting around Mount Kilimanjaro in order to address biodiversity loss and restore ecology around the mountain.
- As a pioneer for sustainable development, the Bank also supported afforestation initiative in Morogoro region by planting 100 trees around Sokoine Agriculture University (SUA).
- Supported Habari Development Association tree planting initiative around Dodoma city on their goal to plant 10,000 trees. This initiative was championed by the former Prime Minister of the United Republic of Tanzania Hon. Mizengo Pinda.

25. PARTICIPATION IN ENVIRONMENTAL PROTECTION ACTIVITIES (CONTINUED)

- In line with the celebration of 60 years of Independence, the Bank supported the Regional Commissioner's cleanness initiative by placing a total of 240 dustbins worth TZS 33.6 million in hospitals, bus stands and marketplaces in all Districts in Dar es Salaam city. Together with this, our employees spend their time and efforts to volunteer in cleaning the environment in public areas like beaches and markets as organized by respective District Commissioners.

26. SOCIAL, POLITICAL CONTEXT AND PROSPECTS

Reputed for its stability in the region, Tanzania has undergone impressive political and economic developments and improvements in social welfare in recent years. The Country has achieved significant milestones over the last two decades, including transitioning to a middle-income country five years ahead of schedule.

Following two decades of sustained growth, Tanzania reached an important milestone in July 2020, when it formally graduated from low-income country to lower-middle-income country status. Tanzania's achievement reflects sustained macroeconomic stability that has supported growth, in addition to the country's rich natural endowments and strategic geographic position.

Politically, Tanzania remains a stable unitary republic with both a national government and a devolved government of Zanzibar, which has autonomy for non-union matters. The country's political system is organized in a framework of a unitary presidential republic, whereby the President of the United Republic of Tanzania is both head of state and head of government, and in a multi-party system. In its shift from a socialist experiment under the first president to a market economy under his successors, Tanzania has fared relatively well in maintaining political stability and economic growth.

Her Excellency, President Samia Suluhu Hassan was sworn in on March 19, 2021, as the United Republic of Tanzania, and first female, president, following the demise of the late President Dr. John Joseph Magufuli on March 17, 2021. President Samia Suluhu Hassan was the Vice President of the Fifth Phase government from October 2015. The new administration has maintained continuity of the political agenda while adjusting its policies and programs to reflect an evolving social and economic context.

The broad policy objectives of the Sixth Phase government remain guided by the Tanzania Development Vision 2025 and its supporting five-year development plans. The government is prioritizing implementation of a new strategy to contain the COVID-19 pandemic, and in July 2021 it started implementing the COVID-19 National Vaccine Deployment Plan.

Enhancing accountability within the civil service continues to be an area of focus. The government is also proactively engaging with multilateral and bilateral partners in the region and worldwide; and it has reaffirmed the private sector as the engine of economic growth by addressing major constraints on private investment. Therefore, the Sixth Phase government prioritizes industrialization and job creation, but with a commitment to a private sector-enabled development strategy.

With the peaceful transition of power experienced in 2021, the country finds itself in a stable position with a positive outlook.

27. ENGAGEMENT WITH STAKEHOLDERS

The Bank works to create lasting stakeholders' value and to make a sustainable contribution to society. To achieve this, the Bank closely engages with different stakeholders to understand what matters most to our stakeholders now and how their needs will change going forward in order to address and respond to their needs.

Shareholders and Investors

The Bank recognizes the importance of maintaining transparency and accountability to our shareholders and investors and works to ensure that all shareholders are treated equitably, their interests safeguarded, and their rights are protected.

The Bank uses an array of channels and mechanisms to communicate and disseminate information to its various stakeholders, including shareholders. During 2021, the Bank delivered value by executing against strategic priorities. Transparent engagement with investors and the wider market helps to understand what investors need so that the Bank can tailor public information accordingly. The Bank communicates with investors through quarterly management statements and Investor calls, half- and full-year results, webinars and media releases.

Further, through the Investor Relations team, the Bank also engages with its investor community directly through calls, conferences, and roadshows. In 2021 the Bank hosted shareholders' breakfast to provide greater insights into opportunities, advantages and underlying drivers of performance as the Bank was approaching the Annual Shareholders' Meeting (Annual General Meeting).

The Bank is committed to providing investors with relevant information to make informed investment decisions as well as seek their perspectives on financial performance and strategy.

Their interests

- Safe, strong and sustainable financial performance.
- Strong Returns on their Investment with the Bank.
- Environment, social and governance matters.

Key expectations

- The key concern raised by Shareholders was about business growth prospects in a challenging operating environment, including management's actions on sustaining asset quality due to the prevailing operating conditions (impact of COVID-19).
- An increasing number of Shareholders are also interested in how the Bank is embedding sustainability considerations into our business practices.
- To be kept abreast of the Bank's performance and strategy.
- Regular, timely, and accurate information.

27. ENGAGEMENT WITH STAKEHOLDERS (CONTINUED)

Shareholders and Investors (continued)

Value we create

- We aim to deliver robust returns and long-term sustainable value to investors by increasing net asset value and net earnings.
- Continuous engagement to ensure full disclosure and open communication to inform their investment decisions.
- Returning to payment of dividends, with the Bank's dividend payout policy of 1/3 of profit after tax, after accounting for the uncertainty of the COVID-environment and investment in growth in 2022.
- Maintaining a safe balance sheet by holding adequate provisions and keeping a good level of coverage of non-performing loans.

Customers

Clients are at the heart of everything we do as a Bank. By building and fostering long-term relationships with clients, the Bank can serve them better, deepen relationships, uphold reputation, and attract new customers to grow business.

Customers are the largest source of deposits, which enables us to sustainably fund lending activities. Gaining more customers results in revenue growth momentum and this can only be achieved by providing exemplary customer experience and financial solutions. On the other hand, sustainable banking practices and world-class governance and risk management translate into the trust customers have with the Bank.

During 2021, the Bank continued to receive feedback via annual surveys, real-time client experience surveys and third-party studies that benchmark our performance against competitors.

Key expectations

- Differentiated products and solutions relevant to their evolving needs.
- Digitally enabled banking experience.
- Security and Confidentiality.
- They desire banking to become simpler, more intuitive and time efficient – convenient and safe access to banking at all times.
- Exceptional customer experience; Our customers want to have a positive experience across all our channels/ touch points, across all our products and with all our staff at all times. Customers would like funding from the Bank to grow their businesses and live up to our promise to transform their lives and allow them to take advantage of opportunities for wealth creation.
- Value added banking that is competitive and transparent in pricing.
- End-to-end banking solutions and innovative digital banking solutions.

27. ENGAGEMENT WITH STAKEHOLDERS (CONTINUED)

Customers (continued)

Value we create

- Developing innovative solutions that meet our valued customers' evolving needs.
- Safeguarding sticky deposits, investments, and wealth, while growing returns.
- Providing credit that enables wealth creation, economic development, and job creation.
- Facilitating transactions that are the backbone of economic value exchange.
- Enabling financial inclusion by providing access to affordable products to the underbanked population.
- Providing financial literacy education.

Employees

Our Employees are our most valued asset. We believe that strong employee engagement drives great performance. By engaging employees and fostering a positive experience for them at NMB Bank, we can better serve our clients and deliver our mission to provide innovative and transformative customer experiences that promotes financial inclusion and wellbeing.

Building a high-performance culture enables the Bank to improve productivity, stimulate innovation and enable us to excel in serving our customers. Since 2020, the Bank has taken various steps towards an innovative and performance-based culture that emphasizes high performance, ethical conduct and continuous learning and development. When lived consistently, the Bank's values (Customer Focus, Compliance, Integrity, Teamwork, and Innovation) will undoubtedly deliver our desired culture.

Diversity and inclusion are a cornerstone for the Bank as it provides a competitive advantage by enriching the composition of the team. The Bank aims to see women, just like men, achieve their career goals in the Bank through deliberate efforts around performance management, coaching, and mentoring. To this end, the Bank continues to put in place initiatives that drive this agenda. As at the end of December 2021, the Bank had a female ratio of 52%, with 48% female representation at leadership levels.

We also proactively assess and manage people-related risks, for example, organization, capability, and culture, as part of our risk management framework.

In 2021, we conducted an Employee opinion survey aimed at studying the actual organizational climate of the Bank, measure its employee satisfaction, determine its employee engagement, and propose appropriate measures for effective staff engagement. Through the Survey, our employees told us that they have a deep understanding of the Bank's Mission, Vision, and strategic objectives. Employees were also proud to work with the Bank due to NMB Bank's strong brand equity. They requested Management to sustain Investments in Learning and Development and to continue with efforts that are geared towards creation of an optimal work-life balance. Our employees also want to grow as the business grows by having opportunities for career progression.

27. ENGAGEMENT WITH STAKEHOLDERS (CONTINUED)

Employees (continued)

Key expectations

- An effective performance management and reward system.
- A conducive and safe work environment.
- Skills development and career progression.
- A conducive culture for productivity.
- Professionalism and integrity.
- Equal opportunities for all staff.

Value we create

- Rewarding staff for the value they add.
- Providing access to development opportunities for our talent.
- Developing our staff to further their careers and improve our services and products.
- Transforming into an inclusive society through employment equity and gender equality.
- Motivating and creating an engaged workforce.

Society

We strive to operate as a sustainable and responsible Bank, that collaborates well with its local partners to promote social and economic development of Tanzania. We continuously engage with our different communities to better understand the role we can play to address their unique needs.

We engage with a wide range of civil society local and international non- governmental organizations (NGOs) from those focused on environmental and public policy issues to partners delivering our community programmes.

We maintain our relationships with our key stakeholders by ensuring that we engage them sufficiently and optimally, adequately address and appropriately respond to their expectations. We regularly partner with our communities in the delivery of various social impact programs through our CSR programs, including in the areas of health, education, inclusive finance, and agriculture, to address various societal issues to enable our societies to prosper.

Key expectations

- Positive contribution to resolution of key concerns such as poverty eradication, improved healthcare, improved access to education, etc.
- Accessibility of our social impact services and support programs.
- Maintenance of the environment in areas where we operate in.

27. ENGAGEMENT WITH STAKEHOLDERS (CONTINUED)

Society (continued)

Key expectations (continued)

- Accessibility and affordability of our products and services.
- Financial sustainability and therefore long-term contribution to the community welfare.
- Penetration to unbanked population for deeper financial inclusion.

Value we create

- Embracing sustainable banking practices and regulatory compliance that enables a safe and stable banking system and a thriving society.
- Playing a meaningful part in the broader society through our corporate social investment activities and positively transforming economies and society through our activities and our lending.

Regulators and Policy Makers

We actively engage with our key stakeholders, including the government, regulators, and policymakers at a global, regional, and national level to share insights, and to support the development of best practice and the adoption of consistent approaches across our markets

In 2021, we engaged policymakers on topics such as prudential rules, supporting trade and economic growth, sustainable banking, fintech, and the Bank's overall strategic direction. We are committed to complying with legislation, rules, and other regulatory requirements applicable to our businesses and operations in the jurisdictions within which we operate. Our compliance with legal and regulatory frameworks ensures that the Bank meets its obligations and supports the resilience and effective functioning of the broader financial system and economy.

Key expectations

- Compliance to all the set laws, rules, and regulations.
- Timely and accurate feedback.

Value we create

- Complying to set rules and regulations to ensure a stable financial sector.
- Collaboration with regulators to deepen financial inclusion.
- Contributing meaningfully to government budgets through our own corporate taxes, staff paying personaltaxes and participation in buying government bonds.

Suppliers

The Bank maintains relationships with a wide array of suppliers who provide services to us to support the Bank's business operations and overall strategic ambitions. The Bank ensures that suppliers are kept abreast on key ambitions to enhance competitive edge. This is done through monthly meetings with

27. ENGAGEMENT WITH STAKEHOLDERS (CONTINUED)

Suppliers (continued)

the business teams, quarterly meetings with technical teams and business and half-yearly meetings with senior level executives. The Bank engages with suppliers through different mediums including via newspapers, meetings, telephone calls, teleconferences, and email. Engagement with them is guided by the Bank's Procurement Policy and Outsourcing Policy which seek to enhance sourcing strategy and ensure cost efficiency, use of procurement best practices including transparency in the sourcing process, and overall value creation.

Some of the suppliers provide key, essential services which are critical to the Bank's overall operations. The services provided by respective suppliers are either directly linked to the Bank's ability to generate revenue, represent high risk in the event of failure to deliver respective services, involve complex or high switching costs where change of supplier is necessary, or when the supplier provides customized goods or services to the Bank. The Bank regularly identifies, mitigates, and manages potential risks that may emanate from the contractual relationship with the vendor. The relationships with essential suppliers have been overall positive with no material, reputational, or legal risks. All respective suppliers have been identified along with their potential monetary risks, high concentration risks, nationality risks, political risks, ownership risks and adverse media risks. Respective mitigation plans are also in place to ensure continued smooth business operations.

Key expectations

- To be kept abreast on matters pertaining to the engagement.
- To be paid on time and as per agreed schedule.
- To be provided a good experience when dealing with the Bank.
- Fair and responsible negotiation for services and products.

Value we create

- We regularly communicate with our suppliers to ensure that they are informed timely and accurately.
- We are careful to abide by the contracts agreed with our suppliers.
- We have a strong policy framework on sourcing.
- Responsible tendering practice and negotiation of contracts.

28. PERFORMANCE FOR THE YEAR

2021 Financial Highlights

Statement of financial position

- Total assets of the Bank increased to TZS 8.7 trillion (2020: TZS 7.1 trillion), this represents a yearly growth of 23%.

28. PERFORMANCE FOR THE YEAR (CONTINUED)

Statement of financial position (continued)

- The Bank's net loans and advances grew by TZS 545 billion (13%) year on year, driven by an increase in retail loans particularly personal loans. Government securities increased by TZS 435 billion (33%) attributed to yield improvement and deposits growth. Placements and balances with banks increased by TZS 166 billion (97%) while cash and balances with Bank of Tanzania increased by TZS 437 billion (42%) as the Bank focused in growing loans & advances in diversified ways particularly in private sector. This asset growth was funded by customer deposits, which grew by TZS 1.3 trillion (25%) and net additional borrowing of TZS 170 billion from International Finance Corporation (IFC).
- There was an increase in Bank's non-earning assets 32% year on year mainly attributable to increase in cash resulting from deposits growth and other Assets while Property and Equipment decreased by TZS 21 billion (11%) as they continue to depreciate.

Statement of profit or loss and other comprehensive income

- During the year, the Group recorded a net profit after tax of TZS 292.1 billion (2020: TZS 210.3 billion), while the Bank earned a net profit of TZS 290.2 billion (2020: TZS 205.8 billion), an increase of 41% year-on-year. This increase in profit was mainly attributed to growth in net interest income and net fees and commission income by TZS 114.2 billion and TZS 25.1 billion respectively.
- The Bank's total operating income grew 22% year on year to TZS 868.9 billion (2020: TZS 714.0 billion). The growth is from the Bank's net interest income which increased by 20% following growth in loans and advances while net fees and other income increased by 11% mainly attributed to increase in transaction volumes in Agency Banking, Mobile Network Operators (MNO) and Card Business.
- The Bank's operating expenses increased slightly by 9% during the year due to cost efficiency initiatives deployed by the Bank during the year on operating and capital expenditure.
- The Bank's subsidiary, Upanga Joint Venture Company (UJVC) Limited made a Profit of TZS 517 Million (2020: TZS 2.4 billion). The decrease in profit is attributable previous year tax liability of TZS 917 million. As at 31 December 2021, its total assets were TZS 39.1 billion (2020: TZS 39.9 billion. Year on year balance sheet size decreased by TZS 0.8 billion.
- The audited financial statements for the year are set out on 224 to 357.

29. CASH FLOW

During the year, the Group generated TZS 448 billion (2020 used: TZS 175 billion) in its operating activities. This was mainly attributed to the growth of deposits from customers by TZS 1.3 trillion (2020: TZS 408 billion) exceeding the net cash flow used in investments in government securities and issuing loans and advances to customers amounting to TZS 435 billion (2020: TZS 536 billion) and TZS 545 billion (2020: TZS 518 billion) respectively.

Other major use of the cash flow was servicing of borrowings by TZS 111 billion (2020: TZS 106 billion), payment of corporate taxes amounting to TZS 142 billion (2020: TZS 123 billion), investment in property

29. CASH FLOW (CONTINUED)

plant and equipment of TZS 11 billion (2020: TZS 19 billion), investment in software of TZS 9 billion (2020: TZS 4 billion) and payment of dividend of TZS 68.5 billion (2020: TZS 48 billion).

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 for big corporate customers, government institutions, Non-Government Organizations and other agencies.

30. DIVIDEND

As at 31 December 2021, the Bank complied with BOT new requirements on dividend payment, specifically recording Cost to Income Ratio of 46% and Non-Performing Loans ratio of 4% against regulatory requirements of 55% and 5% respectively. The directors propose payment of a dividend of TZS 193 per share amounting to TZS 96.7 billion for the year ended 31st December 2021. In 2021, a dividend of TZS 137 per share amounting to TZS 68.5 billion was approved and paid for the year ended 31 December 2020.

31. LIQUIDITY

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. To support adequate levels of liquidity, the Bank has in place arrangements for diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity daily. The Bank has developed respective internal control processes and contingency plans for managing liquidity risk.

Within the Bank, the Treasury function maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-Bank facilities, to ensure that sufficient liquidity is maintained within the Bank. The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies are subject to review and approval by the Board.

The Bank has pursued a balanced funding strategy that enables us to reward shareholders while at the same time reserving enough funds to support our business growth ambitions.

Funding Mix

The Bank's primary source of funding during the year was deposits from customers, with the Bank emphasizing the importance of securing current accounts and savings accounts (CASA), including demand deposits, savings deposits, and time/ fixed deposits, as sources of funds to finance lending to customers. Through our wide branch distribution network, enhanced customer propositions, and solid financial footing, we were able to attract and mobilize a good mix of deposits to support our business growth ambitions. Customer deposits grew by 25% year on year to TZS 6.6 trillion as at December 2021, with the majority being comprised of low-cost deposits. CASA commands 80% of the Bank's total

31. LIQUIDITY (CONTINUED)

Funding Mix (continued)

funding, with the funding mix remaining broadly similar on a year on year basis with no major changes in 2021 compared to the year 2020.

Borrowing

The Bank maintains strong relationships with various Development Finance Institutions (DFIs), who through close engagement, continue to demonstrate confidence in the Bank by providing us with long-term facilities in the form of borrowed funds. These funds are used for lending to final beneficiaries to support overall economic development and the growth of key business segments. As at 31st December 2021 the Bank's borrowings balance amounted to TZS 494,215 million (2020: TZS 323,740 million) the Bank was compliant with all lender's covenants.

32. 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.

Performance indicator	Definition and calculation method	NMB ratios 2021	NMB ratios 2020
Return on equity	Net profit/Total equity	21%	18%
Return on assets	Net profit/Total assets	3%	3%
Cost to income ratio	Total costs/Net income	46%	51%
Interest margin on earning assets	Total interest income/ Interest earning assets	12%	13%
Non - interest income to Gross income	Non - interest income/Total income	32%	31%
Gross loans to customers' deposits	Total loans to customers/Total deposits from customers	69%	78%
Non - performing loans to gross loans	Non - performing loans/Gross loans and advances	4%	5%
Earning assets to total assets	Earning assets/Total assets	77%	79%
Growth on total assets	Increase in assets for the year/Total asset opening balance	23%	8%
Growth on loans and advances to customers	Increase in Loans and advances / Opening balance of loans and advances	13%	15%
Growth on customer deposits	Increase in customer deposits/Opening balance of customer deposits	25%	8%
Growth on customer Capital adequacy			
Tier 1 Capital	Core Capital /Risk weighted assets including off balance sheet items	23.8%	19.3%
Tier 1+Tier 2 Capital	Total Capital /Risk Weighted assets including off balance sheet items	24.6%	20.6%

33. 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, Executive Committee of the Bank, 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 confidence in the market 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 are 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.

(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;

33. TREASURY POLICY (CONTINUED)

(ii) Foreign Exchange risk (continued)

- 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 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.

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.

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 impending crisis likely to happen (phase 1) situation and crisis likely to lead into default within next to 48 hours (phase 2); and
- An updated communication channel during the liquidity crisis.

34. 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 several stringent controls including preventive and detective measures.

Risk Management Approach:

Various measures to mitigate operational risk are implemented in line with the Bank's ERM framework.

People

Talent retention, succession planning, and career development are key tools used to mitigate operational risks related to our human capital. These tools are used to ensure the availability of the right skills, roles, and resources to support business operations.

The Bank has a code of ethics and business conduct policies which guide staff behavior to ensure they conduct themselves with integrity. Additional policies and processes are also in place to mitigate against fraud related events, both internal and external.

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), control testing and conformance reviews by the Second Line of Defense, as well as risk analyses and reporting with a focus on control improvement.

Risk-events and mitigating measures are discussed in several Management committees, including the Risk and Compliance Committee (RCC), which is the Bank's highest risk governance forum. Control evaluations are performed on a continuous basis and in connection with major changes in operations and product offerings to ensure effectiveness.

Through Business Continuity Planning (BCP) the Bank is prepared to minimize the effects of incidents, including crises and disasters, as quickly as possible as and when they occur.

By adopting international-best practice to support our own risk and threat analysis, we define adequate levels of protection for various categories of information and systems through our internal policies which guide the protection of information assets.

34. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Operational risk (continued)

Systems

The Bank continues to automate its various risk management processes and procedures for better efficiency. Through continued investments in new technology platforms, the Bank continues to gain new efficiencies in term of risk reporting, aggregation and visibility for optimized decision-making.

Compliance risk

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

Risk Management Approach:

Compliance Risk is managed in accordance with the Bank's Enterprise Risk Management (ERM) framework.

The Bank's New Product Approval (NPA) process ensures the availability of a thorough review of Conduct Risk and monitoring mechanisms at 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 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 also serves as the Bank's Money Laundering Reporting Officer (MLRO). NMB uses a range of 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 all persons and entities who deal with the Bank are continually performed.

The Bank also regularly invests in technology to enhance operational efficiency and plans are already underway to implement a more enhanced AML, Sanctions Screening, and Fraud Detection systems.

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 manage exposure to credit risk, including approval limits, disbursement controls, continuous monitoring and a robust risk appetite statement.

Risk Management Approach:

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. A range of tools and measures are used during the course of business to manage credit risk.

From a governance perspective, the apex credit decision-making committee is the Board Credit

34. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Credit risk (continued)

Risk Management Approach: (continued)

Committee which works with other Management committees to review 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.

Stress-testing is regularly done to monitor the Bank's liquidity and solvency risks, incorporating stress scenarios for all key risk factors (liquidity, solvency, market, credit, operational risk as well as a black swan combined stress scenario), with measures to deal with all stress outcomes ranging from mild to severe in place.

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.

Risk Management Approach:

The Information Technology Risk Management Policy governs the protection of the Bank's information assets from all threats, whether internal or external, deliberate, or accidental, to ensure business continuity, minimize business damage and maximize return on investments and business opportunities. The objective of the policy is to protect the Bank, its staff, customers and other third parties from information risks where the likelihood of occurrence and the consequences are significant. The policy also stipulates key risk management principles with respect to managing IT Risk across the Bank, including via continuous assessment and monitoring that is done by use of key risk indicators, risk and control self-assessments, and other reviews performed by the second and third line of defense.

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 types 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.

Risk Management Approach:

Market risk at NMB is overseen day-to-day by the Treasury function in close collaboration with 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.

34. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Liquidity risk

Risk that the Bank will encounter difficulty 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.

Risk Management Approach:

Liquidity risk at NMB is overseen day-to-day by the Treasury function in close consultation with the Middle Office (Market Risk team). A number of tools are used to control this risk, including system limits, dealer mandates, to mention but a few. Close monitoring and tracking of liquidity risk issues is done via the monthly Assets and Liabilities Committee (ALCO) forum.

Stress-testing is another tool used to monitor the Bank's liquidity risks, incorporating stress scenarios for all key risk factors (liquidity, solvency, market, credit, operational risk as well as a black swan combined stress scenario).

Strategic risk

Strategic risk concerns the consequences that occur when the environment in which decisions that are hard to implement 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.

Risk Management Approach:

The Bank is focused on executing the Medium-Term Plan. Periodic recalibrations are performed based on market developments.

Reputational risk

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

Risk Management Approach:

The Bank proactively seeks to enhance its overall reputation and manages potential reputational risks in line with its overall control framework. Reputational risk is monitored and managed through review of respective incident reports and assessments, risk and control assessments pertaining to the first and second lines of defense functions, as well as results of respective surveys covering the Bank's overall brand health and their respective action plans.

35. RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Bank. It is a responsibility of the Board through delegation to management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis 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 2021 and is of the opinion that they met the accepted criteria.

36. SERIOUS PREJUDICIAL MATTERS

In the opinion of the Directors, there are no serious unfavourable matters that can affect the Bank (2020: None).

37. 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.

38. MAJOR FINANCING TRANSACTIONS

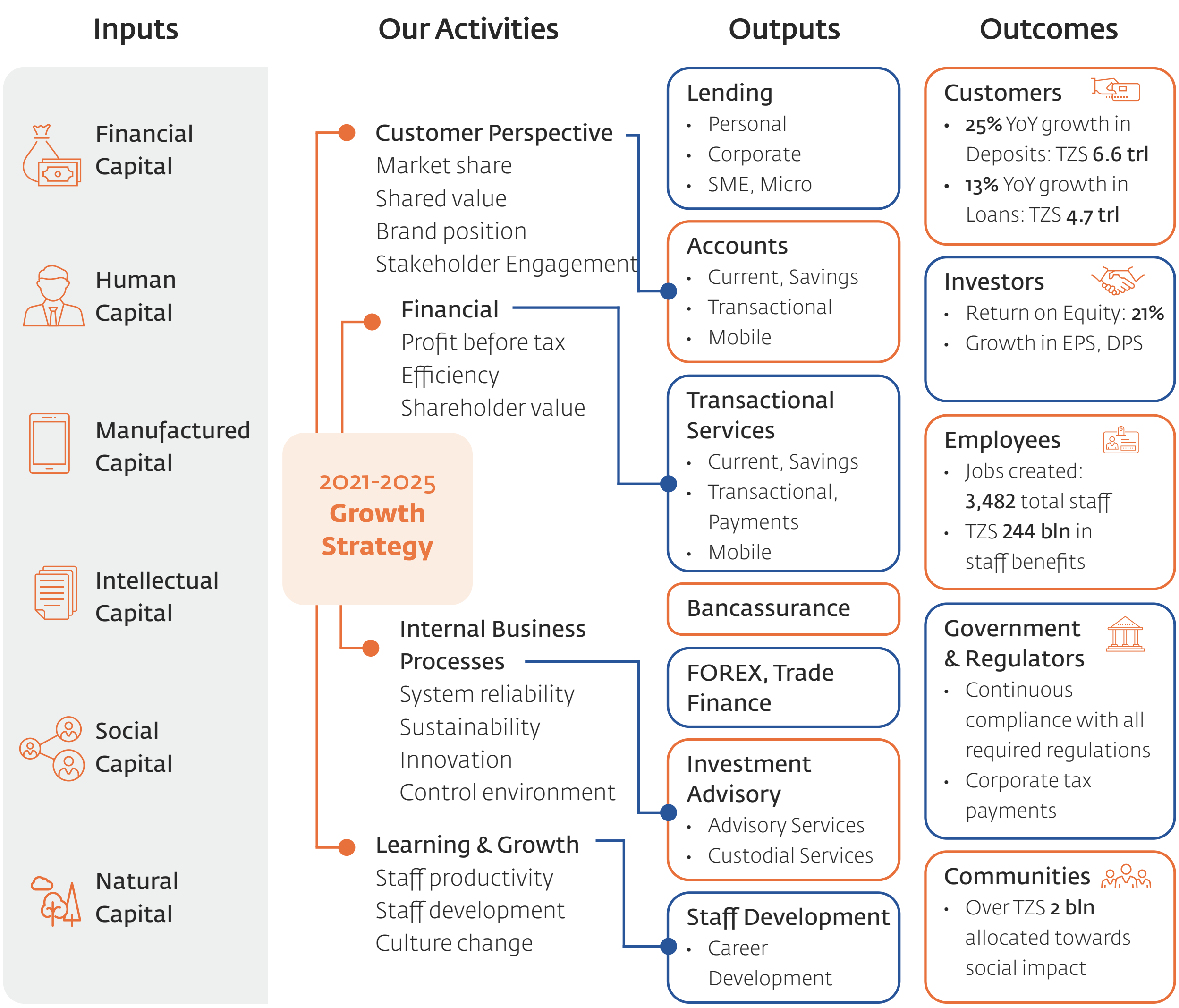
During the year, the Bank obtained additional unsecured loans totaling USD 110 million from International Finance Corporation (IFC), out of which USD 50 million was equivalent in TZS. The loans are repayable in one year. Borrowings were taken to facilitate lending in Retail, Wholesale and Agribusiness Space.

39. BANK'S OPERATING MODEL

The Bank's operating model enables us to manage resources and relationships responsibly to deliver the best outcomes for stakeholders. The business is anchored by a corporate philosophy that is centered around social and economic transformation.

The Bank develop and distribute a wide range of products and services tailored to our market segments in secure and accessible channels and run a strong customer care program. These activities help to ensure sustainable business growth and high levels of financial output, which is used to reinvest in the resources and relationships that we rely on to do business and to deliver on our core purpose.

Our **Operating Model**



40. RESOURCES MANAGEMENT

The Bank's relevance today and in the future, along with our ability to create long term value for our stakeholders is dependent on our ability to effectively manage and leverage the forms of capital available to us.

Financial Capital

This capital enables us to deliver sustainable funding of our business activities. The Bank maintains a strong level of capital to support its business growth strategies and to meet regulatory requirements. We deploy this capital to productive opportunities to sustain our business, leverage growth, achieve sustainable returns, and create value for our stakeholders.

The Bank has pursued a balanced funding strategy that enables us to reward shareholders while at the same time reserving enough funds to support our business growth ambitions. The balance sheet has recorded a steady growth over the years to TZS 8.7 trillion as at end of year 2021, with shareholders' funds growing to TZS 1.4 trillion as at the end of December 2021. The Bank paid shareholders dividends to a tune of TZS 68.5 billion for the year ended 31 December 2020.

In addition to retained earnings, most of the Bank's funding comes from customer deposits, which make up the majority share of our funding liabilities. In 2021, through Bank's wide distribution networks, enhanced customer propositions, and solid financial footing, attracted and mobilized a good mix of deposits to support our business growth ambitions. Our customer deposits grew by 25% year on year to TZS 6.6 trillion, with the majority being comprised of low-cost deposits which supported a 13% growth in our loan book to TZS 4.7 trillion. Borrowed funds, mainly from our key strategic and development partners, stood at TZS 423 billion as at end of December 2021.

The Bank has robust internal policies for capital and liquidity management, in line with regulatory requirements, which ensure all its obligations to stakeholders are met on a timely basis and that strong returns are achieved from these investments. With the Liquid Assets Ratio (LAR) of 28.51% as at the end of December 2021, our balance sheet can adapt to opportunities and changes in our external context, enabling us to respond appropriately to borrowers and new prospects when these arise.

Cost efficiency also guides the Bank's financial decision making, ensuring we manage our operating costs with necessary effectiveness. The Bank has pursued various strategies aimed at cost optimization, with further efficiency gains during the year resulting in a cost to income ratio of 46% as at the end of December 2021 (2020: 51%).

Asset quality continues to be an area of emphasis with further improvements seen in overall credit quality during the year. The Bank's NPL ratio for the year stood at 4%, below the regulatory threshold of 5%, with the performance anchored on proactive and close relationship management and knowledge of our customers. In addition, we have robust risk management measures and credit underwriting policies that underpin our approach to lending.

The Bank will continue enhancing its balance sheet to remain agile and to be able to adapt to any changes in the operating environment as enabled by strong liquidity and improved asset quality. The Bank will continue to invest in digitization and innovation for increased operational efficiency and diligently oversee the utilization of financial resources in the Bank's operations.

40. RESOURCES MANAGEMENT (CONTINUED)

Human Capital

People remain the critical factor in deriving positive results from all other capitals as they carry the vision of the Bank. Therefore, human capital is at the core of the Bank's strategic ambitions. To deliver on our strategic ambitions, we have a team of 3,482 employees, drawn from diverse backgrounds, serving our customers across the business. The Bank continually invest in human resource development focusing on but not limited to training, staff wellness, staff recognition, competitive remuneration, and career growth.

A strong performance-driven culture is critical for the Bank to deliver on our ambitions, with success in the industry being reliant on being agile and able to adequately respond to the dynamic demands and needs of current and future clients. We have made good progress in ensuring that our human capital is able to cater for our present and future needs. In 2021, the People agenda continued to focus on enhancing staff productivity across the Bank, in line with the Bank's goal of being customer centric and highly performing. During the year, the Bank undertook various programs, including both virtual and in-person training courses, to build the capacity of staff to be able to position the Bank to achieve its strategic goals and deliver its mission.

The Bank continues to invest in various training to all its staff, including tapping into in-house and external experts, to train and develop employees through relevant courses. The Bank also continuously invests in leadership training for the leadership team to ensure they are well equipped with both technical and soft skills to enable them to carry out their duties as expected.

The Bank's ability to attract talent from the market is premised on reputation in the industry and anchored on excellent performance over time. The Bank continually benchmark our compensation and benefits plans for employees to ensure that we remain competitive in the market. The Bank is keen to develop employees and support them to achieve their career goals and personal aspirations by regularly assessing and enhancing our employee value proposition.

Diversity and inclusion are a cornerstone for the Bank as it provides a competitive advantage by enriching the composition of the team. The Bank aims to see women, just like men, achieve their career goals in the Bank through deliberate efforts around performance management, coaching, and mentoring. To this end, the Bank continues to put in place initiatives that drive this agenda. As at the end of December 2021, the Bank had a female ratio of 48%, with 31% female representation at leadership levels.

Intellectual Capital

Intellectual capital comprises the Bank's brand perception, its intellectual property, and its overall capacity to be innovative in the provision of its products and services. At NMB Bank, our intellectual capital includes highly talented human capital, leading technological innovations, our systems and processes, and our rich heritage and strong brand that resonates with over 4 million customers in Tanzania.

Brand and Reputation

The NMB Bank brand has become a household name across the country. The brand is supported by

40. RESOURCES MANAGEMENT (CONTINUED)

Intellectual Capital (continued)

Brand and Reputation (continued)

marketing effort, investor relations, our well-trained teams, and by our customers' advocacy. The Bank is geared to create positive customer experiences at every touch point. The Bank periodically undertakes a review of brand health, identifying top brand drivers and the stress points with specific remedial actions. To this end, the Bank has invested in various products, solutions, and a 24 hour contact center which handles high volume of customer engagements. Furthermore, the Bank ensures that its reputation credentials remain solid, driven by rigorous stakeholder engagement, compliance with regulatory requirements, and a strategic communications approach.

Technology

Technology is a key enabler in creating and delivering value for our customers and stakeholders, ensuring relevance, and improving financial inclusion. Therefore, technology plays a pivotal role in driving our growth, performance, and operations. To drive the digital transformation agenda, we have recruited specialists in key areas including Data Analytics, Data Architecture, Systems Development, to enhance our technological capabilities. We have also made several enhancements to our technology infrastructure, resulting in improved stability, connectivity, and service availability.

An upsurge in usage of digital channels and technology means an increase in potential risks that target technology solutions and clients on various platforms. To enable us to protect against potential attempts, we enhanced our overall cyber-security environment to safeguard our information and technological assets. We regularly carry out tests on our systems for cyber risks and security as we continue to prioritize the safeguarding of our client's information. Data protection and governance are crucial for customers' trust in the banking sector. Our customers entrust us with confidential and personal information that we keep safe and aim to always comply with respective data protection requirements.

Innovation

Products and services need to be reflective of the ever-evolving customer needs to remain relevant. During the year, our innovation teams continued to work on different projects to enhance customer propositions through continued innovation and development of our platforms. The on-going innovationhas resulted in better customer experience, improved system efficiencies, and helped to unlock big data potential for future product development.

Manufactured Capital

Manufactured capital consists of equipment, physical facilities and infrastructure, digital channels such as ATMs, and technology whose value is realized in the delivery of products and services. Our equipment and facilities primarily provide comfort, convenience, and security to our customers and employees. Our wide distribution network and innovative digital platforms, including mobile banking, cards, and agents, provide competitive differentiation and are key delivery channels which support the widening of access to financial services in the country – over 90% of all our customer transactions are carried out on our alternative channels. We invest constantly to improve our infrastructure, which is essential for the efficiency of our business model.

40. RESOURCES MANAGEMENT (CONTINUED)

Bank's Channels:

To complement wide branch distribution, the Bank has invested heavily in innovative delivery channels which have played a critical role in improving access to financial services and widening financial inclusion.

- **NMB Mkononi:** NMB Mkononi is mobile banking service that enables customers to enjoy easy access to a variety of banking services, money transfer, and payment services. NMB Mkononi has continued to reach many customers who would have remained unbanked. The channel continues to see good growth in the number of users year on year.
- **Agency Banking:** The Bank has been at the forefront of widening financial inclusion through implementation of the agency banking model. Through agents, the Bank can extend banking services in areas where banking services are unavailable or not easily accessible. With 10,194 agents as at the end of December 2021, agency banking also creates business opportunities for services providers allowing them to create incomes and employment where it is most needed. Agents enable customers to access banking services including making deposits, withdrawals, and bill payments beyond official banking hours. Due to greater geographical area covered by agents, customers also enjoy greater convenience as services come closer to their most accessible location
- **Internet Banking (NMB Direct):** NMB Direct is the bank's internet-banking solution, which enables customers to do end-to-end banking through a secure and feature rich platform. The platform continues to be enhanced to improve the overall customer experience and continues to see good growth year on year in the number of users.
- **Branch Network and ATM:** This is our footprint across the country consisting of 226 branches and 755 ATMs which support our channels and are distributed all over the country. Services accessed by customers in our ATMs include cash withdraws and deposits, balance inquiry, and cardless cash withdrawals.
- **Cards and Merchants:** We have a widely recognized range of card-based payment products, including debit cards, credit cards, pre- paid cards, and QR codes as cash-free payment solutions. Our debit and credit cards can also be used for online e-commerce transactions. Our cards feature industry PCI security standards to ensure that our customers transactions are safeguarded. We have partnered with various merchants to offer card discounts to our customers to support cash displacement, including hotels, restaurants, gas stations, consumer goods stores, among a host of other merchants.

ICT infrastructure:

The Bank continues to invest optimally in ICT to improve the overall customer experience. Various robust digital platforms enable us to offer enhanced digital experiences to our customers. As a result of the continued investment in the digital space, we remained a top-tier financial institution in the country providing innovative solutions, improving ease of access to banking services, and ensuring system availability and reliability.

We are also in the process of upgrading the core banking system to ensure continued stability and enhanced customer satisfaction.

40. RESOURCES MANAGEMENT (CONTINUED)

ICT infrastructure: (continued)

We are keen to ensure that we remain a pace setter for progressive modernization of the infrastructural and manufactured capital which will improve efficiency and enhance our multi-channel customer engagement while creating a scalable and resilient infrastructure. Our investments in these areas will deliver a more efficient, scalable, and flexible infrastructure to support our strategic ambitions.

Social and Relationship Capital

At NMB Bank, it is our firm belief that we can only prosper if the communities that have given us the social license to operate, thrive. This is what forms the basis of our social and relationship capital. The social and relationship capital broadly represents the Bank and the relationships within and between communities, various stakeholders, and the ability to enhance individual and collective well-being.

NMB Bank champions the efforts of Tanzanians to sustainably transform their lives. To champion socio-economic development, the Bank implements various social impact initiatives through the Corporate Social Investment arm of the Bank which serves as the corporate philanthropy vehicle of the Bank.

The social investment programs are guided by the key pillars of Education, Health, Agriculture, Financial Skills-building, and Capacity Building for various groups. During the year, the Bank launched NMB Foundation as a revamped vehicle to broaden impact to communities through the social investment programs. A core facet of the revamped model seeks to leverage the Bank's strategic partnerships with local and international stakeholders, including development organizations and the private sector, to further advance social and economic change for Tanzanians. Further details on the Bank's Corporate Social Responsibility agenda are available in other respective sections of the report.

We maintain strong and positive relationships with our regulators and key stakeholders, including the Government of Tanzania. The relationships have been deepened through the year through enhanced engagements to support the Bank's overall mission.

Natural Capital

Natural capital encompasses the natural resources that we employ in our value creation to our stakeholders. We are committed to employing the natural resources in a responsible way, ensuring that we minimize negative impact on the resources. The Bank recognizes its responsibility to achieve global climate goals and is investing optimally to ensure systemic change. Internally, the Bank is committed to reducing its carbon footprint by installing energy efficient LED lighting and HVAC systems across the network. We will continue to identify effective ways to use and manage the natural resources which are available to us more efficiently.

41. EMPLOYEES' WELFARE

Management and employees' relationship

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

41. EMPLOYEES' WELFARE (CONTINUED)

Management and employees' relationship (continued)

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 3,660 million (2020: TZS 1,806 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's parents and their in-laws are included under medical insurance.

Financial assistance to staff

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.

42. GENDER PARITY

At 31 December 2021, the Bank had 3,482 employees (2020: 3,465); out of which 1,809 (52%) were male and 1,673 (48%) were female (2020: male 1,801 (52%), female 1,664 (48%)).

43. RELATED PARTY TRANSACTIONS

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

44. POLITICAL DONATIONS

The Bank did not make any political donations during the year (2020: NIL)

45. 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.

46. COVID -19 PANDEMIC

The global COVID-19 pandemic has created an unprecedented global economic and humanitarian crisis with profound effects across many facets of society. During these unusual times, the Bank continues to take various measures to ensure enduring support towards businesses and people as the world continues to deal with the challenges of the pandemic and global societies adopt to the new normal.

The Bank put in place various measures to assist our clients from the early days of the pandemic in line with respective regulatory guidance and continues to closely work with clients to provide suitable solutions that enable them to participate effectively in the economic recovery. The Bank's financial support to our clients included payment holidays for qualifying clients, loan repayment moratoriums, and loan restructuring for severely impacted. The Bank's strong digital infrastructure also continues to support seamless client transactions via a full range of digital services, including via mobile app, internet banking, and through the Bank's wide ATM network, without experiencing any material cybersecurity incidents or major failures in our digital infrastructure.

As an employer that has always recognized the crucial role our people play in delivering to our clients, the Bank continues to work hard to ensure that all our colleagues continue to feel connected to their teams whilst prioritizing their overall well-being. From the onset, the Bank responded to the pandemic by protecting the health, safety, and well-being of staff by instituting remote working arrangements for staff whose roles made it possible to do so to limit the number of people within our office premises, leveraging our strong digital capabilities to host interactive meetings via digital platforms, insisting on physical distancing, and purchasing personal protective equipment (PPEs) worth TZS 387 million during the year and distributing them across the network. The Bank also placed equal emphasis on ensuring staff wellness by providing ongoing employee awareness raising, guidance, and support through staff wellness programs. The Bank continues to do everything in its power to protect the health and overall well-being of staff who continue to work hard on the frontlines to support our clients during these very difficult and uncertain times.

47. CORPORATE SOCIAL RESPONSIBILITY (CSR)

NMB Bank firmly believes in acting as a responsible corporate citizen to support the country's overall socio-economic development. The Bank supports the communities in which we operate through various social programs which continue to uplift lives and support the most vulnerable members of society. In 2021, the Bank allocated TZS 2.058 billion (2020: TZS 1.421 billion), being 1% of the Bank's previous year's profit after tax, towards various CSR initiatives across the pillars of education, health, financial literacy training, and disaster recovery.

Education

The Bank supports both primary and secondary schools across the country through various education initiatives to enable a conducive learning environment to empower students to fulfill their learning potential and prosper. In 2021, the Bank supported about 160 schools with 8,000 desks to benefit over 32,000 students. The Bank also provided 280 double decker beds to support 500 boarding students and supported 117 school and health facilities with roofing materials during the year.

Health

The main goal within the health pillar is to support the wellbeing of our communities by providing support to health centers and health facilities across the country. We have placed emphasis on supporting the country's health facilities as a means of improving the well-being of our communities by plugging shortages in medical equipment. In 2021, the Bank supported 35 health facilities with hospital benches, complete set of hospital beds, delivery beds, bedsheets, and delivery kits which benefited over 140,000 people.

Financial Capability

The aim of the financial capability pillar is to build the capacity of our beneficiaries through a broad range of educational resources in order to support their future development and to build a more inclusive economy. During the year, various programs including the Wajibu School Program and NMB Business Clubs, along with the Women "Jasiri" Proposition and Youth Proposition "Go na NMB", provided platforms for financial literacy training which imparted key financial knowledge to over 10,000 youth and adults.

Natural Disaster Recovery

During the year, the Bank supported the communities affected by the large fire outbreak at Dar es Salaam's Kariakoo market, the country's largest market, which impacted many businesses and caused widespread damage to goods and people's wellbeing. The Bank provided fire hydrants and actively engaged with customers affected by the disaster to support their business recovery. The efforts went a long way in helping the communities and various businesses to cope with the immediate challenges and support their long-term business recovery.

Supporting Persons with Disability

During the year, the Bank collaborated with the Tanzania Blind Association and Ubungo Albinism Association to support various persons with disabilities. The Bank spent TZS 32 million towards purchasing assistive devices, including white cane and skin lotion, which impacted the lives of over 200 persons with disability.

47. CORPORATE SOCIAL RESPONSIBILITY (CSR) (CONTINUED)

Run for a Cause – NMB Marathon

In 2021, the Bank partnered with CCBRT and organized the "NMB Marathon – Mwendo wa Upendo" to raise funds towards supporting fistula treatment for women. The Bank committed to uplifting the lives of women affected by fistula by raising a total of TZS 1 bln over two years to support their treatment. TZS 400 million was collected and disbursed to CCBRT hospital during the first year.

Employee Volunteerism and engagement

Our staff community initiative program enables the Bank's staff to engage directly with the communities in which we operate. Employee volunteerism continues to be successful in both mobilizing resources to support those in need through a matching program and in helping our staff feel more connected to the communities being supported. During the year, our staff provided in-kind support worth over TZS 40 million, including foodstuffs and clothes, and donated blood to support over 10,000 people across hospitals, orphanage centers, prisons, and elderly centers across the country.

The NMB Foundation

To broaden impact to our communities and further spur socio-economic development in the country, the Bank launched the NMB Foundation in 2021 as a vehicle that can expand Corporate Social Investment (CSI) agenda by focusing on the key five pillars of Education, Health, Agriculture, Environment, and Entrepreneurship. Collaboration with key strategic partners is a core facet of the foundation's long-term vision and presents a significant shift from the previous CSR approach. Through the revamped model and in collaboration with key strategic partners who deeply understand the country's socio-economic fabric, the Bank will be able to achieve greater impact towards various communities at scale through the foundation.

48. CLIMATE-RELATED RISKS

The Bank recognizes the climate change related risk. Extreme weather events such as storms, high winds, drought, and high temperatures may generally impact various businesses.

The Bank's business which is directly linked to climate change is in agricultural sector, as of 31 December 2021, the portfolio formed 7% of the loan book. The Bank has persistently complied with BoT guidelines about concentration risks to mitigate likely any negative impact.

The Bank has in place internal environmental policy which among other things promote digital communication, digital transactions, and paperless activities. There are no changes to the current Bank's environmental protection policy, hence no additional financial commitment is required regarding climate related risks.

Forward looking climate related risks that could potentially impact the financial statements of the Bank are physical damage of the low lying coastal leased buildings hosting the facilities and employees, and massive lending to agricultural sector.

49. 2021 STRATEGY AND BUDGETARY PERFORMANCE

2021 has been a recovery year for banking sector and the economy at large. This is a positive direction given the level of uncertainty that had engulfed the Global economy and financial sector due to activity slow down induced by COVID 19 pandemic and the measures that had to be taken to combat the same.

However, the local economy suffered less impact due to non-imposition of lockdown measures coupled by less than expected actual impact.

In September 2020, the Board approved the Medium-Term Plan (MTP) 2025, the 2021 annual strategy and budget, charging the executive committee with task to implement various initiatives.

The 2021 annual strategy took into consideration the projected GDP growth at the rate of 5.5% (actual 4.1%), the National Five-Year Development Plan Phase II (FYDPII) and Mkakati Wa Kukuza Uchumi Zanzibar (MKUZA) III with the following broad key drivers;

- Accommodative monetary policy stance as has been the case
- Ongoing Government Infrastructure projects expected to grow our off-balance sheet book
- Macro dynamics expected to remain stable with no change in regime being anticipated
- Stable but declining interest rate environment (sustained downward pressure on T-bills.

The Bank's balance sheet and revenue growth projected in 2021 strategy and budget was expected to be driven by:

- Increased client activity on our channels such as internet banking, NMB mkononi, Wakala and branches,
- Product enhancements such as pamoja accounts, dunduliza, spend to save, and first in the market group funeral cover that brought new vibrancy to the life assurance market,
- Deepening penetration in wholesale customer base,
- Process automation to enhance remote physical delivery capabilities such as Wakala and do it yourself options on NMB mkononi (NMB App),
- Keen focus on performance management practices and overall organizational health.

Commitment was made to initiate key strategic projects such as customer relationship management platform, improvements in agency banking support systems, loan management systems and enterprise master data management platforms. These projects collectively sought to improve working tools and delivery for improved customer experience. Management is pleased to report that great progress is being made and projects are on schedule.

Given the above considerations, the Bank performance against the budget were as follows:

- The Bank closed 2021 with total assets position of TZS 8.7 trillion against budget of TZS 8.0 trillion being 23% growth,

49. 2021 STRATEGY AND BUDGETARY PERFORMANCE (CONTINUED)

- Customer deposits was TZS 6.6 trillion against budget of TZS 6.1trillion being 108% budgetary achievement and remarkably 25% growth,
- Gross Loans and advances closed at TZS 4.8 trillion against budget of TZS 4.7 trillion, being 13% growth performance and 104% budgetary achievement,
- Off balance sheet items was a clear strategic focus for the year 2021 where we set to grow exposure from TZS 505 billion to TZS 720 billion, actual performance was TZS 98 trillion far surpassing the stated ambition,
- The Bank surpassed revenue target by TZS 85 billion to deliver TZS 988 billion in total revenue against budgeted revenue of TZS 903 billion, 18% year on year growth performance,
- Operating expenses were proactively managed to ensure reductions on property expenses and office expenses. Increases in general expenses by 21% was being attributed to increased sales driven activities and campaigns,
- Overall cost performance registering a 9% year on year increase with key driver being increases in staff cost attributed to staff token issued as an appreciation for this historic performance,
- Strong credit risk management performance ensured a commendable NPL of 4% keeping us well below regulatory threshold of 5% and furthermore achieved to keep impairment charge within budget.

The results of our strategy execution in 2021 were not confined to financial numbers only. Excellent engagement with staff to ensure highest levels of satisfaction (achieved commendable 75% staff satisfaction rate), key stakeholders in government and business community to foster business relationships have yielded tangible outcomes.

Key remarkable engagements were Vice President Dr Philip Mpango and Hon Dr Tulia Akson, joining a team of NMB for a fun run event and subsequent games organized in Dodoma to nurture great relationships between NMB and the National Assembly.

The Prime Minister Hon. Majaliwa Kassim Majaliwa graced our NMB foundation inauguration event, and BOT Deputy Governor Dr Kabesse graced NMBs launch event for a market's first sandbox environment.

The Bank successfully held online Annual General meeting for second year in a row and thus allowing maximum participation by investors and thus overcoming restrictions and concerns that were raised on account of the prevailing global pandemic (COVID 19).

International awards and recognition for excellent performance also followed suit and provided the much-needed independent assessment and validation.

- Best Retail Bank in Tanzania 2021,
- Best SME Bank in Tanzania 2021,
- Best Investment Bank in Tanzania 2021,

49. 2021 STRATEGY AND BUDGETARY PERFORMANCE (CONTINUED)

- Best Innovation in Retail Banking Tanzania 2021,
- Fastest Bank in Card Usage Growth in Tanzania,
- Safest Bank in Tanzania.

50. STATEMENT OF COMPLIANCE WITH TFRS-1

The financial statements of the Bank are in compliance with all provisions of TFRS-1 and other legal and regulatory requirements.

51. AUDITORS

PricewaterhouseCoopers was the auditor of the Bank for the year ended 31 December 2021 in accordance with Section 170(2) of the Companies Act, No.12 of 2002.The auditor has reached a limit of six years prescribed by the Bank of Tanzania. Appointment of new auditor for the year ending 31 December 2022 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.

PricewaterhouseCoopers with PF No 40 and TIN 100-212-285 is an audit firm registered by the National Board of Accountants and Auditors of Tanzania (NBAA).

BY ORDER OF THE BOARD

Dr. Edwin P. Mhede
Chairman

30 March 22

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

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 the 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:

Dr. Edwin P. Mhede
Chairman

30 March 22

NMB BANK PLC
DECLARATION OF THE CHIEF FINANCIAL OFFICER FOR THE YEAR ENDED 31 DECEMBER 2021

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

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 217.

I, Juma A. Kimori, being the 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 2021 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 2021 and its financial position as on that date and that they have been prepared based on properly maintained financial records.

CPA Juma Ajuang Kimori
Chief Financial Officer

NBAA Membership number: ACPA 3755

30 March 22

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 2021, 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 224 to 357 comprise:

- the Consolidated and Bank statements of financial position as at 31 December 2021;
- 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 and other explanatory information.

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 International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (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 (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers As disclosed in Note 3(f), Note 4(a), Note 6.1 and Note 20 of the financial statements management exercises significant judgement using subjective assumptions over both when and how much to record as loan impairment provision. The Bank applies IFRS 9 in estimating the expected credit loss. Judgement is applied to determine the appropriate parameters and assumptions used to estimate the provisions in the following areas: • Quantitative and qualitative criteria for classification of loans and advances based on assessment of factors contributing to significant increase in credit risk and default; • Determination of the probability of default (PD); • Determination of exposure at default (EAD); • Determination of the forward-looking parameters to be incorporated in the estimation of expected credit losses; and • Determination of the loss given default (LGD) which include estimation of the expected cash flows and recovery rates. Variations in the assumptions and inputs into the impairment models could result in material change in the financial results and position of the group and bank.	• We tested 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 the portfolio segmentation which is used to determine PD and LGD. • We tested the reliability, accuracy and reasonableness of information used for estimating the exposure at default, probability of default and loss given default. • We tested the forward-looking scenarios and parameters used by management in estimating projected probabilities of default, including the consideration of COVID-19 implications. • We challenged management's basis for establishing the correlation between forward looking parameters and the Bank's non-performing loan trends. • We tested the loss given default for the secured and unsecured loan portfolio. • We tested the expected cash flows and challenged management's assumptions of recovery estimates for unsecured facilities. • We tested recovery costs and recovery periods used to estimate the recoverable amount of collateral for secured facilities. • We considered the adequacy of financial statements disclosures.

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 other information that will be included in the Annual Report which is expected to be made available to us after the date of this auditor's report.

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 the other information that will be included in the Annual Report which will be made available to us after the date of this auditor's report, 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's 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.

Auditors 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.

REPORT ON THE AUDIT OF THE CONSOLIDATED AND BANK FINANCIAL STATEMENTS (CONTINUED)

Auditors responsibilities for the audit of the Consolidated and Bank financial statements (continued)

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.

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 those charged with governance 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, action taken to eliminate threats or safeguards applied.

REPORT ON THE AUDIT OF THE CONSOLIDATED AND BANK FINANCIAL STATEMENTS (CONTINUED)

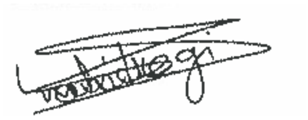
Auditors responsibilities for the audit of the Consolidated and Bank financial statements (continued)

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 Report of the Directors 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.



Patrick M Kiambi - TACPA
For and on behalf of PricewaterhouseCoopers
Certified Public Accountants
Dar es Salaam

31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2021 TZS' Millions	2020 TZS' Millions
Interest income	7(a)	815,446	712,648
Interest expense	8(a)	(135,606)	(141,483)
Net Interest Income		**679,840**	**571,165**
Impairment charge – loans and advances	6.1.5.1(e)	(113,040)	(125,800)
Impairment (charge)/release – off-balance sheet exposures	6.1.5.1(e)	(89)	6,488
Total impairment charge		**(113,129)**	**(119,312)**
Net interest income after impairment		**566,711**	**451,853**
Fee and commission income	10	323,432	284,812
Fee and commission expense	10	(74,891)	(61,396)
Net fee and commission income		**248,541**	**223,416**
Trading income	21(b)	2,726	3,107
Foreign exchange income	9(a)	33,583	27,377
Other income	11(a)	20,988	14,395
Net operating income		**872,549**	**720,148**
Employee benefits expense	12	(243,679)	(210,174)
Other operating expenses	13(a)	(149,090)	(140,386)
Depreciation and amortization	14(a)	(61,755)	(68,308)
Total operating expenses		(454,524)	(418,868)
Profit before income tax		**418,025**	**301,280**
Income tax expense	15(a)	(125,876)	(90,980)
Profit for the year		**292,149**	**210,300**
Attributable to			
Owners of the Bank		292,078	209,969
Non-controlling interests		71	331
Profit for the year		**292,149**	**210,300**
Other comprehensive income, net of tax			
Items that may be subsequently be reclassified to profit or loss:			
Fair value gain/(loss) on debt instruments at FVOCI – net of tax	35 (iv)	(228)	(257)
Total comprehensive income for the year		**291,921**	**210,043**
Attributable to:			
Owners of the Bank		291,850	209,712
Non-controlling interests		71	331
Total comprehensive income for the year		**291,921**	**210,043**
Basic and diluted earnings per share (TZS)	16(a)	**584.16**	**419.94**

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

	Note	2021 TZS' Millions	2020 TZS' Millions
Interest income	7(b)	815,446	712,977
Interest expense	8(b)	(139,231)	(147,322)
Net Interest Income		**676,215**	**565,655**
Impairment charge – loans and advances	6.1.5.1(e)	(113,040)	(125,800)
Impairment (charge)/release – off-balance sheet exposures	6.1.5.1(e)	(89)	6,488
Total impairment charge		**(113,129)**	**(119,312)**
Net interest income after impairment		**563,086**	**446,343**
Fee and commission income	10	323,432	284,812
Fee and commission expense	10	(74,891)	(61,396)
Net fee and commission income		**248,541**	**223,416**
Trading income	21(b)	2,726	3,107
Foreign exchange income	9(b)	33,583	27,377
Other income	11(b)	21,017	14,395
Total operating income		**868,953**	**714,638**
Employee benefits expense	12	(243,679)	(210,174)
Other operating expenses	13(b)	(148,920)	(140,171)
Depreciation and amortization	14(b)	(62,467)	(68,550)
Total operating expenses		**(455,066)**	(418,895)
Profit before tax		**413,887**	**295,743**
Income tax expense	15(b)	(123,701)	(89,941)
Profit for the year		**290,186**	**205,802**
Other comprehensive income, net of tax			
Items that may be subsequently be reclassified to profit or loss:			
Fair value gain on debt instruments at FVOCI – net of tax	35 (iv)	(228)	(257)
Total comprehensive income for the year		**289,958**	**205,544**
Basic and diluted earnings per share (TZS)	16(b)	**580.37**	**411.60**

REPORT OF THE DIRECTORS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Note	2021 TZS' Millions	2020 TZS' Millions
Assets			
Cash and balances with Bank of Tanzania	18	1,484,029	1,047,488
Placements and balances with other banks	19	337,255	170,829
Loans and advances to customers	20(a)	4,653,933	4,108,891
Investment in Government securities			
- At amortised cost	21(a)	1,683,950	1,275,291
- At FVOCI	21(b)	55,330	28,962
Equity investment at FVOCI	22(a)	2,920	2,920
Other assets	23(a)	115,995	68,641
Current tax assets	15(c)	20,678	11,536
Property and equipment	24(a)	192,890	215,715
Intangible assets	25	13,888	13,898
Right-of-use assets	26(a)	26,754	28,850
Deferred income tax assets	27(a)	93,799	85,610
Total assets		8,681,421	7,058,631
Liabilities			
Deposits due to other banks	29	408	131,224
Deposits from customers	28(a)	6,662,889	5,325,450
Other liabilities	30(a)	139,915	116,879
Lease liabilities	26(c)	27,261	28,927
Provisions	31	1,309	971
Borrowings	32	423,190	252,715
Subordinated debt	33	71,025	71,025
Deferred income tax liability	27(b)	858	295
Total liabilities		7,326,855	5,927,486
Capital and reserves			
Share capital	35 (i)	20,000	20,000
Retained earnings		1,330,019	1,106,441
Fair valuation reserve	35 (iv)	564	792
Capital and reserves attributable to owners of the parent		1,350,583	1,127,233
Non-controlling interest		3,983	3,912
Total equity		1,354,566	1,131,145
Total equity and liabilities		8,681,421	7,058,631

The financial statements on pages 224 to 357 were approved and authorised for issue by the Board of directors and were signed on its behalf by:

Dr. Edwin P. Mhede 30 March 2022
Chairman

BANK'S STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Note	2021 TZS' Millions	2020 TZS' Millions
Assets			
Cash and balances with Bank of Tanzania	18	1,484,029	1,047,488
Placements and balances with other banks	19	337,255	170,829
Loans and advances to customers	20	4,653,933	4,109,362
Investment in government securities			
- At amortised cost	21(a)	1,683,950	1,275,291
- At FVOCI	21(b)	55,330	28,962
Equity investment at FVOCI	22(a)	2,920	2,920
Investment in subsidiary	22(b)	39,639	39,639
Other assets	23(b)	113,739	63,922
Current tax assets	15(d)	17,634	8,587
Property and equipment	24(b)	161,038	181,562
Intangible assets	25	13,888	13,898
Right-of-use assets	26(b)	65,177	70,027
Deferred tax assets	27(a)	93,799	85,610
Total assets		8,722,331	7,098,097
Liabilities			
Deposits due to other banks	29	408	131,224
Deposits from customers	28(b)	6,664,263	5,325,455
Other liabilities	30(b)	143,602	116,669
Lease liabilities	26(d)	67,142	70,104
Provisions	31	1,309	971
Borrowings	32	423,190	252,715
Subordinated debt	33	71,025	71,025
Total liabilities		7,370,939	5,968,163
Capital and reserves			
Share capital	35 (i)	20,000	20,000
Retained earnings		1,330,828	1,109,142
Fair valuation reserve	35 (iv)	564	792
Total equity		1,351,392	1,129,934
Total equity and liabilities		8,722,331	7,098,097

The financial statements on pages 224 to 357 were approved and authorised for issue by the Board of directors and were signed on its behalf by:

Dr. Edwin P. Mhede
Chairman

30 March 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent					
	Share capital TZS Millions	Retained earnings TZS Millions	Fair valuation reserve TZS Millions	Total TZS Millions	Non-controlling interest TZS Millions	Total equity TZS Millions
At 1 January 2021	20,000	1,106,441	792	1,127,233	3,912	1,131,145
Profit for the year	-	292,078	-	292,078	71	292,149
Other comprehensive income (OCI)						
Gain of fair valuation	-	-	(326)	(326)	-	(326)
Deferred tax on OCI	-	-	98	98	-	98
Total comprehensive income	-	292,078	(228)	291,850	71	291,921
Transactions with owners *Dividends paid for the year 2020*	-	(68,500)	-	(68,500)	-	(68,500)
At 31 December 2021	20,000	1,330,019	564	1,350,583	3,983	1,354,566

	Attributable to owners of the parent					
	Share capital TZS Millions	Retained earnings TZS Millions	Fair valuation reserve TZS Millions	Total TZS Millions	Non-controlling interest TZS Millions	Total equity TZS Millions
At 1 January 2020	20,000	944,472	1,049	965,521	3,581	969,102
Profit for the year	-	209,969	-	209,969	331	210,300
Other comprehensive income (OCI)						
Gain of fair valuation	-	-	(525)	(525)	-	(525)
Deferred tax on OCI	-	-	268	268	-	268
Total comprehensive income	-	209,969	(257)	209,712	331	210,043
Transactions with owners *Dividends paid for the year 2019*	-	(48,000)	-	(48,000)	-	(48,000)
At 31 December 2020	20,000	1,106,441	792	1,127,233	3,912	1,131,145

BANK'S STATEMENT OF CHANGES IN EQUITY

	Share capital TZS Millions	Retained earnings TZS Millions	Fair valuation reserve TZS Millions	Total TZS Millions
At 1 January 2021	20,000	1,109,142	792	1,129,934
Comprehensive income				
Profit for the year	-	290,186	-	290,186
Other comprehensive income (OCI)	-	-	-	-
Gain of fair valuation	-	-	(326)	(326)
Deferred tax on OCI	-	-	98	
Total comprehensive income	-	290,186	(228)	289,958
Transactions with owners *Dividends paid for the year 2020*	-	(68,500)	-	(68,500)
At 31 December 2021	**20,000**	**1,330,828**	**564**	**1,351,392**

	Share capital TZS Millions	Retained earnings TZS Millions	Fair valuation reserve TZS Millions	Total TZS Millions
At 1 January 2020	20,000	951,340	951,340	972,389
Comprehensive income				
Profit for the year	-	205,802	-	205,802
Other comprehensive income (OCI)	-	-	-	-
Gain of fair valuation	-	-	(525)	(525)
Deferred tax on OCI	-	-	268	268
Total comprehensive income	-	205,802	(257)	205,544
Transactions with owners *Dividends paid for the year 2019*	-	(48,000)	-	(48,000)
At 31 December 2021	**20,000**	**1,109,142**	**792**	**1,129,934**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2021 TZS' Millions	2020 TZS' Millions
Cash generated from /(used in) operations	37(a)	595,837	(52,229)
Tax paid	15(c)	(142,547)	(123,140)
Net cash generated from/(used in) operations		453,290	(175,369)
Cash flows from investing activities			
Purchase of property and equipment	24(a)	(11,286)	(18,755)
Purchase of intangible assets	25	(9,152)	(4,325)
Proceeds on disposal of property and equipment		12	174
Net cash used in investing activities		(20,426)	(22,906)
Cash flows from financing activities			
Proceeds received from borrowings	32	255,190	50,000
Principal repaid on borrowings	32	(85,398)	(73,857)
Interest paid on borrowings	32	(30,576)	(32,582)
Dividends paid	17	(68,500)	(48,000)
Repayment of lease liabilities	26(c)	(9,824)	(10,858)
Net cash generated/(used in) financing activities		60,892	(115,297)
Net increase / (decrease) in cash and cash equivalents		493,756	(313,572)
Cash and cash equivalents at beginning of the year		907,029	1,232,544
Effect of movement in foreign exchange		5,712	(11,944)
Cash and cash equivalents at end of the year	36	1,406,497	907,029
Analysis of cash and cash equivalents at end of the year:			
Cash in hand		484,254	661,689
Balances with Bank of Tanzania (excluding SMR)		563,022	57,781
Deposits and balances due from banking institutions		337,255	170,829
Balance with mobile network operators		21,966	16,730
		1,406,497	907,029

BANK'S STATEMENT OF CASH FLOWS

	Note	2021 TZS' Millions	2020 TZS' Millions
Cash generated from /(used in) operations	37(b)	599,050	(53,283)
Tax paid	15(d)	(140,839)	(122,089)
Net cash generated from/(used in) operations		458,211	(175,372)
Cash flows from investing activities			
Purchase of property and equipment	24(b)	(11,286)	(18,755)
Purchase of intangible assets	25	(9,152)	(4,325)
Proceeds on disposal of property and equipment		12	174
Net cash used in investing activities		(20,426)	(22,906)
Cash flows from financing activities			
Proceeds from borrowings	32	255,190	50,000
Principal paid on borrowings	32	(85,398)	(73,857)
Interest paid on borrowings	32	(30,576)	(32,582)
Dividends paid	17	(68,500)	(48,000)
Repayment of lease liabilities	26(d)	(14,745)	(10,858)
Net cash generated/(used in) financing activities		55,971	(115,297)
Net increase / (decrease) in cash and cash equivalents		493,759	(313,571)
Cash and cash equivalents at the beginning of the year		907,029	1,232,544
Effect of movement in foreign exchange		5,712	(11,944)
Cash and cash equivalents at end of the year	36	1,406,497	907,029
Analysis of cash and cash equivalents at end of the year:			
Cash in hand		484,254	661,689
Balances with Bank of Tanzania (excluding SMR)		563,022	57,781
Deposits and balances due from banking institutions		337,255	170,829
Balance with mobile network operators		21,966	16,730
		1,406,497	907,029

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.

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

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

- a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest

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)

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

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- provide temporary relief to entities from having to meet the separately identifiable requirement when an rfr instrument is designated as a hedge of a risk component

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

Details of the non-derivative financial instruments affected by the interest rate benchmark reform together with a summary of the actions taken by the Group to manage the risks relating to the reform and the accounting impact appear in note 6.2.4 Financial Risk- Interest rate risk.

If additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other amendments. note 6.2.4 provides the required disclosures related to this amendment

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

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

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

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

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 recognised 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. Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others.	1 January 2023

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
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.	1 January 2023
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022

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
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020: • IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. • IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	1 January 2022
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023

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
Definition of Accounting Estimates – Amendments to IAS 8	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: • right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.	1 January 2023

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

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's Executive Committee, which is the 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 2021.

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 unrealised gains on transactions between Group companies are eliminated. Unrealised 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 recognised 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 recognised 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 recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation and equity accounting (continued)

III. Disposal of subsidiaries (continued)

disposed of the related assets or liabilities. This may mean that amounts previously recognised 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.

(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 interest rate 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 recognised 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Fee and commission income and expense (continued)

Fees and commission on other services such as ATMs, MNO, Agency banking and bancassurance are recognized at an amount which reflects the consideration which the Bank expects to be entitled in exchange of providing the services. All fees and commissions are generally recognized on accrual basis when the service has been provided. 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.

(e) Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of 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 Group and 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 recognised 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 recognised when the entity becomes a party to the contractual provisions of the instruments. Regular way purchases and sales of financial assets are recognised 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,

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (continued)

Initial recognition and measurement (continued)

an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debts instruments measured at FVOCI, which results in an accounting loss being recognised 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 recognises 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 recognised as a gain or loss in other comprehensive income.

(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 realised through settlement.

<u>**Financial assets**</u>

(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.

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:

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (continued)

<u>Financial assets (continued)</u>

(i) Classification and subsequent measurement (continued)

Debt instruments (continued)

- **Amortised cost:** Assets that are held for collection of 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 recognised 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 recognised in profit and loss. When the financial asset is derecognised, interest income from these financial assets is included in 'interest income' using the effective interest rate method.

- **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 subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised 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.

- **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 and measured at FVPL. Factors considered by the Group in determining the business model for 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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (continued)

Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Debt instruments (continued)

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 of 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 recognised 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 recognised in profit or loss as other income when the Group's right to receive payments is established.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (continued)

Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Equity instruments (continued)

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

(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 and 6.1.5.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (continued)

Financial assets (continued)

(iii) Modifications of Loans (continued)

If the terms are substantially different, the Group derecognises the original financial asset and recognises 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 assesses whether the new financial asset recognised 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 recognised 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 recognises 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).

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) on the next page.

(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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (continued)

Financial assets (continued)

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

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.

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:

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (continued)

Financial liabilities (continued)

(i) Classification and subsequent measurement (continued)

- 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 in 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 guarantee contracts and loan commitments.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (continued)

Financial guarantee contracts and loan commitments (continued)

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 recognised 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 recognised 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 recognised as provision.

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.

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.

(g) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Borrowings (continued)

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. The valuation gain and losses on the borrowings are recognized as part of foreign exchange income in the statement of profit and loss.

(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 and its subsidiary operate and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with the Income Tax Act, 2004 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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.

(j) 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:

	%
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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Non-financial assets (continued)

ii. Right-of-use assets

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

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

iii. Intangible assets

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

(k) 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. 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 2021 (2020: Nil).

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with 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 exclude the cash reserve requirement held with the Bank of Tanzania. Cash and cash equivalents are carried at amortised cost.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

iii. Post-employment obligations

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.

(n) 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.

(o) 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.

(p) Earnings per share

The Group presents basic and diluted earnings per share (EPS) in the Consolidated 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Leases

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(j(ii)).

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.

(r) 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.

(s) 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

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

a) Measurement of the expected credit loss allowance (continued)

cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (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 financial 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.

d) Assessment of 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

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 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. 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 55,292 million (2020: TZS 28,946 million) as compared to their reported fair value of TZS 55,330 million at 31 December 2021 (2020: TZS 28,962 million). If the yield rate had decreased by 10 basis points the fair value would be estimated at TZS 55,367 million (2020: TZS 28,978 million).

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 (2020: TZS 292 million).

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

(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 and Bank 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 of the Group and Bank would have decreased by TZS 1,977 million (2020: TZS 2,668 million). If the discount rate used would have decreased by 10%, the lease liability would have decreased by TZS 2,251 million (2020: TZS 6,587million).

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 Executive Committee (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 and borrowing from abroad that are used to lend to corporate customers.

(ii) **Retail Banking** - includes loans, deposits and other transactions and balances with retail customers, Retail bond and Borrowing from TMRC.

(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. The segment includes cash and balances with Bank of Tanzania, placements and balances with other banks, investments in equity, government and debt securities and subordinated debt.

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

Assets and liabilities that don't fall under these categories are classified as unallocated balances.

Revenue and assets reported to the Bank's Executive Committee 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

5. SEGMENT REPORTING (CONTINUED)

Operating segments (continued)

funding and each user of funding is contributing to overall profitability of the Bank. Operating expenses for the Bank have also been allocated to the business using an internally 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.

5. SEGMENT REPORTING (CONTINUED)

The segment information provided to the Group's Executive Committee for the reportable segments for the year ended 31 December 2021 is as follows; (all amounts in TZS million):

GROUP

2021	Treasury	Wholesale banking	Retail banking	UJVC	(Eliminations) / consolidation	Total
Interest income	135,611	64,732	615,103	-	-	815,446
Interest expense	(10,522)	(49,157)	(79,552)	-	3,625	(135,606)
Net Interest Income	**125,089**	**15,575**	**535,551**	**-**	**3,625**	**679,840**
Loan impairment charges	-	(60,989)	(52,140)	-	-	(113,129)
Net fees and commission, trading, foreign exchange and other income	36,309	49,500	220,058	4,921	(4,950)	305,838
Employee benefits expense	(21,931)	(46,299)	(175,449)	-	-	(243,679)
General and administrative expenses	(13,403)	(28,295)	(107,222)	(198)	28	(149,090)
Depreciation and amortization	(5,622)	(11,869)	(44,976)	(2,031)	2,743	(61,755)
Profit /(loss) before tax	**120,442**	**(82,377)**	**375,822**	**2,692**	**1,446**	**418,025**
Income tax provision	(35,998)	24,599	(112,302)	(2,175)	-	(125,876)
Profit after tax	84,445	(57,705)	263,446	517	1,446	292,149
Segment assets, liabilities and equity						
Segment assets	3,541,913	645,931	4,008,014	39,120	(80,030)	8,154,936
Unallocated assets	-	-	-	-	-	526,485
Total assets	**3,541,913**	**645,931**	**4,008,014**	**39,120**	**(80,030)**	**8,681,421**
Segment liabilities	68,190	2,298,892	4,767,511	1,562	(41,285)	7,093,683
Unallocated liabilities	-	-	-	-	-	233,172
Equity	-	-	-	37,553	(37,553)	1,354,566
Total liabilities and equity	**68,190**	**2,298,892**	**4,767,511**	**39,120**	**(78,842)**	**8,681,421**

5. SEGMENT REPORTING (CONTINUED)

The segment information provided to the Group's Executive Committee for the reportable segments for the year ended 31 December 2020 is as follows; (all amounts in TZS million):

BANK

2020	Treasury	Wholesale banking	Retail banking	UJVC	(Eliminations) / consolidation	Total
Interest income	109,409	73,396	530,172	-	(329)	712,648
Interest expense	(9,104)	(55,300)	(82,918)	(329)	6,168	(141,483)
Net Interest Income	**100,305**	**18,096**	**447,254**	**(329)**	**5,839**	**571,165**
Impairment charges-off and on balance sheet items	-	(79,586)	(39,726)	-	-	(119,312)
Net fees and commission, trading, foreign exchange and other income	30,146	35,173	202,976	5,977	(5,977)	268,295
Employee benefits expense	(18,916)	(39,933)	(151,325)	-	-	(210,174)
General and administrative expenses	(12,615)	(26,632)	(100,924)	(215)		(140,386)
Depreciation and amortization	(6,170)	(13,025)	(49,355)	(1,971)	2,213	(68,308)
Profit /(loss) before tax	**92,750**	**(105,907)**	**308,900**	**3,462**	**2,075**	**301,280**
Income tax provision	(27,691)	33,158	(95,408)	(1,039)	-	(90,980)
Profit after tax	65,059	(72,749)	213,492	2,423	2,075	210,300
Segment assets, liabilities and equity						
Segment assets	2,481,095	540,726	3,546,342	39,971	(79,437)	6,528,697
Unallocated assets	-	-	-	-	-	529,344
Total assets	**2,481,095**	**669,248**	**3,644,822**	**39,971**	**(79,437)**	**7,058,041**
Segment liabilities	198,190	1,526,657	3,600,608	2,735	(42,201)	5,285,989
Unallocated liabilities	-	-	-	-	-	600,212
Equity	-	-	-	37,236	(37,236)	1,129,934
Total liabilities and equity	**198,190**	**1,526,657**	**3,600,608**	**39,971**	**(79,437)**	**7,058,041**

5. SEGMENT REPORTING (CONTINUED)

The segment information provided to the Bank's Executive Committee for the reportable segments for the year ended 31 December 2021 is as follows; (all amounts in TZS million):

GROUP

2021	Treasury	Wholesale banking	Retail banking	Total
Interest income	135,611	64,732	615,103	815,446
Interest expense	(10,522)	(49,157)	(79,552)	(135,606)
Net Interest Income	**125,089**	**15,575**	**535,551**	**679,840**
Loan impairment charges	-	(60,989)	(52,140)	(113,129)
Net fees and commission, trading, foreign exchange and other income	36,309	49,500	220,058	305,867
Employee benefits expense	(21,931)	(46,299)	(175,449)	(243,679)
General and administrative expenses	(13,403)	(28,295)	(107,222)	(148,920)
Depreciation and amortization	(5,622)	(11,869)	(44,976)	(62,467)
Profit /(loss) before tax	**120,442**	**(82,377)**	**375,822**	**413,887**
Income tax provision	(35,998)	24,599	(112,302)	(123,701)
Profit after tax	84,445	(57,705)	263,446	290,186
Segment assets, liabilities and equity				
Segment assets	3,541,913	645,931	4,008,014	8,195,846
Unallocated assets	-	-	-	526,485
Total assets	**3,541,913**	**645,931**	**4,008,014**	**8,722,331**
Segment liabilities	68,190	2,298,892	4,767,511	7,134,593
Unallocated liabilities	-	-	-	236,346
Equity	-	-	-	1,351,392
Total liabilities and equity	**68,190**	**2,298,892**	**4,767,511**	**8,722,331**

5. SEGMENT REPORTING (CONTINUED)

The segment information provided to the Bank's Executive Committee for the reportable segments for the year ended 31 December 2020 is as follows; (all amounts in TZS million):

GROUP

2020	Treasury	Wholesale banking	Retail banking	Total
Interest income	109,409	73,396	530,172	712,977
Interest expense	(9,104)	(55,300)	(82,918)	(147,322)
Net Interest Income	**100,305**	**18,096**	**447,254**	**565,655**
Impairment charges-off and on balance sheet items	-	(79,586)	(39,726)	(119,312)
Net fees and commission, trading, foreign exchange and other income	30,146	35,173	202,976	270,643
Employee benefits expense	(18,916)	(39,933)	(151,325)	(210,281)
General and administrative expenses	(12,615)	(26,632)	(100,924)	(155,612)
Depreciation and amortization	(6,170)	(13,025)	(49,355)	(68,550)
Profit /(loss) before tax	**92,750**	**(105,907)**	**308,900**	**295,743**
Income tax provision	(27,691)	33,158	(95,408)	(89,941)
Profit after tax	63,362	(75,871)	218,312	205,802
Segment assets, liabilities and equity				
Segment assets	2,481,095	540,726	3,546,342	6,589,123
Unallocated assets	-	-	-	508,974
Total assets	**2,481,095**	**540,726**	**3,546,342**	**7,098,097**
Segment liabilities	198,190	1,526,657	3,600,608	5,325,455
Unallocated liabilities	-	-	-	642,708
Equity	-	-	-	1,129,934
Total liabilities and equity	**198,190**	**1,526,657**	**3,600,608**	**7,098,097**

There were 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 Executive Committee 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 and overdrafts (Secured & unsecured) and off-balance sheet items (these include Letters of Credit and Guarantees, etc).

The Bank considers a term loans and advances to be in default if the repayment of the loan instalment (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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.1 Credit risk measurement (continued)

Loans and advances (continued)

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	IFRS Staging
Current	0 - 30	Stage 1
Especially mentioned	31 - 90	Stage 2
Sub-standard	91 -180	Stage 3
Doubtful	181 - 360	Stage 3
Loss	361 and more	Stage 3

For internal monitoring of balances with other banks, banks are rated into three categories based on their financial position. Additionally, qualitative characteristics are 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	Above 3	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 2021, are all low risk.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.1 Credit risk measurement (continued)

Loans and advances (continued)

The loans and advances to customers portfolio analysed for regulatory purposes is shown below:

	As at 30 December 2021				
Amounts in TZS' Millions	Secured	Unsecured	Agribusiness	Overdraft	Total
Current	786,133	3,225,084	278,185	236,058	4,525,460
Especially mentioned	110,651	11,701	9,619	11,940	143,911
Sub-standard	39,718	7,972	19,015	9,928	76,633
Doubtful	16,101	10,901	13,109	4,735	44,846
Loss	35,784	16,731	13,165	7,389	73,069
Gross carrying amount	**988,387**	**3,272,389**	**333,093**	**270,050**	**4,863,919**
Loss allowance	(123,392)	(34,274)	(39,908)	(12,412)	(209,986)
Carrying amount	**864,995**	**3,238,115**	**293,185**	**257,638**	**4,653,933**

	As at 30 December 2020				
Amounts in TZS' Millions	Secured	Unsecured	Agribusiness	Overdraft	Total
Current	719,139	2,770,599	144,936	283,348	3,918,022
Especially mentioned	112,008	8,948	35,268	8,638	164,862
Sub-standard	22,058	15,321	36,360	1,364	75,103
Doubtful	20,043	11,935	8,395	5,189	45,562
Loss	50,009	9,173	21,454	29,986	110,622
Gross carrying amount	**923,257**	**2,815,976**	**246,413**	**328,525**	**4,314,171**
Loss allowance	(101,734)	(35,383)	(46,238)	(21,454)	(204,809)
Carrying amount	**821,523**	**2,780,593**	**200,175**	**307,071**	**4,109,362**

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;
- Chattle Mortgages
- Charges over business assets such as inventory and accounts receivable;
- Guarantees from government and financial institutions; 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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.2 Risk limit control and mitigation policies (continued)

(b) Collateral (continued)

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank 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
At 31 December 2021				
Secured	91,603	36,088	55,514	205,661
Unsecured	35,604	20,577	15,027	-
Overdraft	22,052	5,815	16,238	125,546
Agribusiness	45,289	19,703	25,586	56,737
Total	194,548	82,183	112,365	387,944
At 31 December 2020				
Secured	92,110	36,772	55,338	103,873
Unsecured	36,429	18,853	17,576	-
Overdraft	36,539	17,153	19,386	94,930
Agribusiness	66,209	40,478	25,731	49,155
Total	231,287	113,256	113,256	247,958

(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 authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions - are collateralised by the underlying shipments of goods to which they relate.

Undrawn commitments represent unused portions of authorisations 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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.2 Risk limit control and mitigation policies (continued)

(c) Credit-related commitments(continued)

commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

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 Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Refer to note 6.1.3.1 for a description of how the Bank 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 Bank 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 Bank 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 etc.)
- Repayment type (e.g. Repayment/Interest only)
- Loan to value ratio for retail mortgages

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)

- Credit risk grading
- Industry – Agribusiness loans are assessed independently in their own model
- 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.

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 - This group comprises all term loan 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 and salary advance.

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

Qualitative criteria

<u>Loans and advances to customers</u>

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;

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)

Loans and advances to customers (continued)

- 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

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-organisation 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.

6.1.3.2 Definition of default and credit impaired assets

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.

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)

Government securities (continued)

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 Tanzanian Government securities.

Loans and advances to customers

The Bank 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 Bank 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. The Bank 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

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 customers (continued)

- financial assets are purchased or originated at a deep discount that reflects incurred credit losses.

The criteria above have been applied to all financial instruments held by the Bank 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 Bank's expected loss calculations.

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. 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

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)

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.

- EAD is based on the amounts the Bank 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 Bank 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.
- The Bank 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. On secured term loans and overdraft facilities the Bank considers collateral value discounted using an effective interest rate. An average LGD obtained from NPL collections and recoveries of secured segment applied for few credit facilities under secured segment with no collaterals attachment following the agreed special arrangement on securities.
- The probability of default for off-balance sheets items has been estimated at 0.05% based on basel due to limitation of historical default data and loss given default estimated using collateral value discounted using an effective interest rate.

6.1.3.4 Forward-looking information incorporated in the ECL models

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

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 (continued)

are reassessed at each reporting date. The Bank concluded that three scenarios appropriately captured non-linearity.

The scenario weightings are determined by a combination of statistical analysis and expert economic judgement, taking account of the range of possible outcomes each chosen scenario is representative of. 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.

Economic variable assumptions

Comprehensive review of economic variable has been done in 2021 compared to previous year and apart from adding the new assumption of Gross National Expenditure (GNE), the analysis also revealed significant changes in terms of percentages.

The most significant period-end assumptions used for the ECL estimate as at 31 December 2021 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

Credit growth in private sector	2021	2022	2023	2024	2025
Base	4.5%	4.5%	5.2%	9.6%	6.0%
Upside	6.0%	5.2%	7.2%	12.0%	8.0%
Downside	3.0%	3.0%	4.5%	7.2%	5.2%
Credit growth in private sector	**2020**	**2021**	**2022**	**2023**	**2024**
Base	9.5%	10.0%	10.5%	11.0%	11.0%
Upside	12.0%	14.0%	14.5%	15.0%	15.0%
Downside	4.9%	6.1%	6.5%	7.0%	7.0%

During the year the Bank model incorporated the new assumption of the Gross National Expenditure (GNE) as shown in the following table.

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 (continued)

GNE as percentage of GDP	2021	2022	2023	2024	2025
Base	59%	62%	59%	62%	59%
Upside	62%	64%	64%	67%	66%
Downside	58%	59%	57%	59%	58%

For the years 2020 and 2021, 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% and the GNE changed by 10%, the changes in expected loss allowance would have been as follows:

Sensitivity Analysis	2021		2020	
Amounts in TZS Millions	Higher end	Lower end	Higher end	Lower end
Secured term loans	883	(554)	159	(154)
Unsecured term loans	1,140	(865)	321	(315)
Overdraft facilities	787	(650)	104	(133)
Agribusiness	865	(1,306)	185	(186)
Off-balance sheet exposures	-	-	-	-
Total expected credit loss	3,675	(3,375)	769	(788)

6.1.4 Credit risk exposure

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

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

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)

SUMMARY OF TABLES OF MAXIMUM EXPOSURE TO CREDIT RISK

Model Segment	STAGE 1		STAGE 2		STAGE 3		GRAND TOTAL	
	Gross Carrying Amount	ECL Amount	Gross Carrying Amount	ECL Amount	Gross Carrying Amount	ECL Amount	Gross Carrying Amount	ECL Amount
2021								
Agribusiness	278,185	17,194	9,619	3,011	45,289	19,703	333,093	39,908
Overdraft	236,058	6,549	11,940	48	22,052	5,815	270,050	12,412
Secured	786,133	6,145	110,651	81,159	91,603	36,088	988,387	123,392
Unsecured	3,225,084	13,537	11,701	160	35,604	20,577	3,272,389	34,274
Total	**4,525,460**	**43,425**	**143,911**	**84,378**	**194,548**	**82,183**	**4,863,919**	**209,986**
2020								
Agribusiness	144,936	4,777	35,268	983	66,209	40,478	246,413	46,238
Overdraft	283,348	4,230	8,638	71	36,539	17,153	328,525	21,454
Secured	719,139	4,868	112,008	60,094	92,110	36,772	923,257	101,734
Unsecured	2,770,599	16,294	8,948	236	36,429	18,853	2,815,976	35,383
Total	**3,918,022**	**30,169**	**164,862**	**61,834**	**231,287**	**113,256**	**4,314,171**	**204,809**

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)

(a) Secured term loans

	ECL STAGING			
Amounts in TZS' Millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 30 December 2021				
Current	786,133	-	-	786,133
Especially mentioned	-	110,651	-	110,651
Sub-standard	-	-	39,718	39,718
Doubtful	-	-	16,101	16,101
Loss	-	-	35,784	35,784
Gross carrying amount	786,133	110,651	91,603	988,387
Loss allowance	(6,145)	(81,159)	(36,088)	(123,392)
Carrying amount	779,988	29,492	55,515	864,995
As at 31 December 2020				
Current	719,139	-	-	719,139
Especially mentioned	-	112,008	-	112,008
Sub-standard	-	-	22,058	22,058
Doubtful	-	-	20,043	20,043
Loss	-	-	50,009	50,009
Gross carrying amount	719,139	112,008	92,110	923,257
Loss allowance	(4,868)	(60,094)	(36,772)	(101,734)
Carrying amount	714,271	51,914	55,338	821,523

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	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 30 December 2021				
Current	3,225,084	-	-	3,225,084
Especially mentioned	-	11,701	-	11,701
Sub-standard	-	-	7,972	7,972
Doubtful	-	-	10,901	10,901
Loss	-	-	16,731	16,731
Gross carrying amount	3,225,084	11,701	35,604	3,272,389
Loss allowance	(13,537)	(160)	(20,577)	(34,274)
Carrying amount	3,211,547	11,541	15,027	3,238,115
As at 31 December 2020				
Current	2,770,599	-	-	2,770,599
Especially mentioned	-	8,948	-	8,948
Sub-standard	-	-	15,321	15,321
Doubtful	-	-	11,935	11,935
Loss	-	-	9,173	9,173
Gross carrying amount	2,770,599	8,948	36,429	2,815,976
Loss allowance	(16,294)	(236)	(18,853)	(35,383)
Carrying amount	2,754,305	8,712	17,576	2,780,593

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

	ECL STAGING			
Amounts in TZS' Millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 30 December 2021				
Current	278,185	-	-	278,185
Especially mentioned	-	9,619	-	9,619
Sub-standard	-	-	19,015	19,015
Doubtful	-	-	13,109	13,109
Loss	-	-	13,165	13,165
Gross carrying amount	278,185	9,619	45,289	333,093
Loss allowance	(17,194)	(3,011)	(19,703)	(39,908)
Carrying amount	260,991	6,608	25,586	293, 185
As at 31 December 2020				
Current	144,936	-	-	144,936
Especially mentioned	-	35,268	-	35,268
Sub-standard	-	-	36,360	36,360
Doubtful	-	-	8,395	8,395
Loss	-	-	21,454	21,454
Gross carrying amount	144,936	35,268	66,209	246,413
Loss allowance	(4,777)	(983)	(40,478)	(46,238)
Net carrying amount	140,159	34,285	25,731	200,175

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)

(d) Overdraft

Amounts in TZS' Millions	ECL STAGING Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 30 December 2021				
Current	236,058	-	-	236,058
Especially mentioned	-	11,940	-	11,940
Sub-standard	-	-	9,928	9,928
Doubtful	-	-	4,735	4,735
Loss	-	-	7,389	7,389
Gross carrying amount	236,058	11,940	22,052	270,050
Loss allowance	(6,549)	(48)	(5,815)	(12,412)
Carrying amount	229,509	11,892	16,237	257,638
As at 31 December 2020				
Current	283,348	-	-	283,348
Especially mentioned	-	8,638	-	8,638
Sub-standard	-	-	1,364	1,364
Doubtful	-	-	5,189	5,189
Loss	-	-	29,986	29,986
Gross carrying amount	283,348	8,638	36,539	328,525
Loss allowance	(4,230)	(71)	(17,153)	(21,454)
Carrying amount	279,118	8,567	19,386	307,071

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*

	2021 TZS Millions	2020 TZS Millions
Guarantees and Indemnities	229,577	238,671
Undrawn Commitments	246,563	120,065
Acceptances and letters of credit	757,621	266,145
Gross carrying amount	1,233,761	624,881
Loss allowance	(163)	(74)
Net carrying amount	1,233,598	624,807

*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;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis. This change is incorporated within maintainainte stage and other adjustments category.
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements, This change is incorporated within maintainainte stage and other adjustments category; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

It is worth noting that changes in model assumptions particularly on forward looking information,

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5 Loss allowance (continued)

incorporation of collaterals in estimation of loss given default (LGD) and changes in model assumptions in estimation of loss given default (LGD) has reasonably impacted the loss allowance as of 31 December 2021.

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:

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)

Total Loans and advances

Amounts in TZS' Millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	30,169	61,384	113,256	204,809
Segment Reallocation	-	-	-	-
Movements				
Transfer from stage 1 to stage 2	(267)	646	-	379
Transfer from stage 1 to stage 3	(836)	-	25,070	24,234
Transfer from stage 2 to stage 1	348	(372)	-	(24)
Transfer from stage 2 to stage 3	-	(229)	2,965	2,736
Transfer from stage 3 to stage 1	551	-	(4,341)	(3,790)
Transfer from stage 3 to stage 2	-	17	(536)	(519)
Maintained Stage and other movements	4,092	21,061	2,496	27,649
New Financial assets originated or purchased	16,596	2,505	4,435	23,536
Financial assets that have been de-recognized	(7,175)	(614)	(8,967)	(16,756)
Net profit or loss charge during the period	13,309	23,014	21,122	57,445
Other movements with no P or L impact				
Write-offs	(53)	(20)	(52,195)	(52,268)
Other movements with no P or L impact	(53)	(20)	(52,195)	(52,268)
As at 31 December 2021	43,425	84,378	82,183	209,986
As at 1 January 2020	28,252	21,087	123,771	173,110
Movements				
Transfer from stage 1 to stage 2	(489)	1,161	-	672
Transfer from stage 1 to stage 3	(439)	-	13,744	13,305
Transfer from stage 2 to stage 1	10	(48)	-	(38)
Transfers from stage 3 to stage 1	301	-	(7,336)	(7,035)
Transfers from stage 3 to stage 2	-	1	(113)	(112)
Transfers from stage 2 to stage 3	-	(389)	5,815	5,426
New Financial assets originated or purchased	11,987	405	29,003	41,395
Maintained Stage and other movements	(2,735)	39,712	9,278	46,255
Financial assets that have been de-recognized	(6,718)	(545)	(15,224)	(22,487)
Net profit or loss charge during the period	1,917	40,297	35,167	77,381
Other movements with no P or L impact				
Write-offs	-	-	(45,682)	(45,682)
As at 31 December 2020	30,169	61,384	113,256	204,809

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)

(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 2021	4,868	60,094	36,772	101,734
Segment Reallocation	11	-	2,388	2,399
Movements				
Transfer from stage 1 to stage 2	(41)	36	-	(5)
Transfer from stage 1 to stage 3	(133)	-	12,362	12,229
Transfer from stage 2 to stage 1	65	(10)	-	55
Transfer from stage 2 to stage 3	-	(43)	749	706
Transfer from stage 3 to stage 1	399	-	(317)	82
Transfer from stage 3 to stage 2	-	14	(287)	(273)
Maintained Stage and other movements	(78)	21,127	2,576	23,625
New Financial assets originated or purchased	3,819	23	2,530	6,371
Financial assets that have been de-recognized	(2,765)	(81)	(2,567)	(5,413)
Net profit or loss charge during the period	1,266	21,066	15,046	37,377
Other movements with no P or L impact				
Write-offs	-	-	(18,118)	(18,118)
Other movements with no P or L impact	-	-	(18,118)	(18,118)
As at 31 December 2021	6,145	81,159	36,088	123,392
As at 1 January 2020	6,004	19,981	65,305	91,290
Movements				
Transfer from stage 1 to stage 2	(74)	80	-	6
Transfer from stage 1 to stage 3	-	-	17	17
Transfer from stage 2 to stage 1	2	(9)	-	(7)
Transfers from stage 3 to stage 1	211	-	(6,555)	(6,344)
Transfers from stage 3 to stage 2	-	-	(13)	(13)
Transfers from stage 2 to stage 3	-	(103)	2,158	2,055
New Financial assets originated or purchased	3,327	202	5,707	9,236
Maintained Stage and other movements	(1,382)	39,995	15,717	54,330
Financial assets that have been de-recognized	(3,220)	(52)	(10,846)	(14,118)
Net profit or loss charge during the period	(1,136)	40,113	6,185	45,162
Other movements with no P or L impact				
Write-offs	-	-	(34,718)	(34,718)
As at 31 December 2020	4,868	60,094	36,772	101,734

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 2021	16,294	236	18,853	35,383
Segment Reallocation	6	-	(2)	4
Movements				
Transfer from stage 1 to stage 2	(43)	116	-	73
Transfer from stage 1 to stage 3	(108)	-	8,277	8,169
Transfer from stage 2 to stage 1	9	(93)	-	(84)
Transfer from stage 2 to stage 3	-	(74)	1,031	957
Transfer from stage 3 to stage 1	7	-	(1,171)	(1,164)
Transfer from stage 3 to stage 2	-	3	(249)	(246)
Maintained Stage and other movements	(2,926)	-	2,380	(546)
New Financial assets originated or purchased	1,623	30	528	2,181
Financial assets that have been de-recognized	(1,322)	(38)	(1,755)	(3,115
Net profit or loss charge during the period	**(2,760)**	**(56)**	**9,041**	**6,225**
Other movements with no P or L impact				
Write-offs	(3)	(20)	(7,315)	(7,338)
Other movements with no P or L impact	(3)	(20)	**(7,315)**	**(7,338)**
As at 31 December 2021	**13,537**	**160**	**20,577**	**34,274**
As at 1 January 2020	17,444	178	12,682	30,304
Movements				
Transfer from stage 1 to stage 2	(57)	179	-	122
Transfer from stage 1 to stage 3	(182)	-	8,797	8,615
Transfer from stage 2 to stage 1	8	(39)	-	(31)
Transfers from stage 3 to stage 1	6	-	(642)	(636)
Transfers from stage 3 to stage 2	-	1	(100)	(99)
Transfers from stage 2 to stage 3	-	(89)	1,717	1,628
New Financial assets originated or purchased	3,103	51	1,278	4,432
Maintained Stage and other movements	(1,816)	(3)	(900)	(2,719)
Financial assets that have been de-recognized	(2,212)	(42)	(2,555)	(4,809)
Net profit or loss charge during the period	**(1,150)**	**58**	**7,595**	**6,503**
Other movements with no P or L impact				
Write-offs	-	-	(1,424)	(1,424)
As at 31 December 2020	**16,294**	**236**	**18,853**	**35,383**

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 2021	4,777	983	40,478	46,238
Segment Reallocation	216	-	(2,310)	(2,094)
Movements				
Transfer from stage 1 to stage 2	(88)	479	-	391
Transfer from stage 1 to stage 3	(266)		2,765	2,499
Transfer from stage 2 to stage 1	261	(257)	-	4
Transfer from stage 2 to stage 3	-	(98)	589	491
Transfer from stage 3 to stage 1	23	-	(849)	(826)
Transfer from stage 3 to stage 2	-	-	-	-
Maintained Stage and other movements	6,268	(52)	(3,643)	2,573
New Financial assets originated or purchased	8,690	2,447	1,099	12,236
Financial assets that have been de-recognized	(2,637)	(491)	(3,066)	(6,194)
Net profit or loss charge during the period	12,251	2,028	(3,105)	11,174
Other movements with no P or L impact				
Write-offs	(50)	-	(15,360)	(15,410)
Other movements with no P or L impact	(50)	-	(15,360)	(15,410)
As at 31 December 2021	17,194	3,011	19,703	39,908
As at 1 January 2020	2,178	635	25,943	28,756
Movements				
Transfer from stage 1 to stage 2	(331)	878	-	547
Transfer from stage 1 to stage 3	(257)	-	4,819	4,562
Transfers from stage 3 to stage 1	84	-	(139)	(55)
Transfers from stage 2 to stage 3	-	(197)	1,940	1,743
New Financial assets originated or purchased	3,277	105	8,808	12,190
Maintained Stage and other movements	340	(2)	2,606	2,944
Financial assets that have been de-recognized	(514)	(436)	(1,124)	(2,074)
Net profit or loss charge during the period	2,599	348	16,910	19,857
Other movements with no P or L impact				
Write-offs	-	-	(2,375)	(2,375)
As at 31 December 2020	4,777	983	40,478	46,238

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

Amounts in TZS' Millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	4,230	71	17,153	21,454
Segment Reallocation	(233)	-	(76)	(309)
Movements				
Transfer from stage 1 to stage 2	(95)	15	-	(80)
Transfer from stage 1 to stage 3	(329)	-	1,666	1,337
Transfer from stage 2 to stage 1	13	(12)	-	1
Transfer from stage 2 to stage 3	-	(14)	596	582
Transfer from stage 3 to stage 1	122	-	(2,004)	(1,882)
Transfer from stage 3 to stage 2	-	-	-	-
Maintained Stage and other movements	828	(14)	1,183	1,997
New Financial assets originated or purchased	2,464	6	278	2,748
Financial assets that have been de-recognized	(451)	(4)	(1,579)	(2,034)
Net profit or loss charge during the period	**2,552**	**(23)**	**140**	**2,669**
Other movements with no P or L impact				
Write-offs	-	-	(11,402)	(11,402)
Other movements with no P or L impact	**-**	**-**	**(11,402)**	**(11,402)**
As at 31 December 2021	**6,549**	**48**	**5,815**	**12,412**
As at 1 January 2020	2,626	293	19,841	22,760
Movements				
Transfer from stage 1 to stage 2	(27)	24	-	(3)
Transfer from stage 1 to stage 3	-	-	111	111
New Financial assets originated or purchased	2,280	47	13,210	15,537
Maintained Stage and other movements	123	(278)	(8,145)	(8,300)
Financial assets that have been de-recognized	(772)	(15)	(699)	(1,486)
Net profit or loss charge during the period	**1,604**	**(222)**	**4,477**	**5,859**
Other movements with no P or L impact				
Write-offs	-	-	(7,165)	(7,165)
As at 31 December 2020	**4,230**	**71**	**17,153**	**21,454**

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

		2021 TZS Millions	2020 TZS Millions
As at 1 January 2021		74	6,562
Movements			
New financial guarantees		136	54
Matured financial guarantees		(47)	(6,542)
Net profit or loss charge during the period		89	(6,488)
As at 31 December		163	74
Allowance charged to profit or loss during the year			
Secured loans	6.1.5 (a)	37,377	45,162
Unsecured loans	6.1.5 (b)	6,225	6,503
Agribusiness loans	6.1.5 (c)	11,174	19,857
Overdraft facilities	6.1.5 (d)	2,669	5,858
Loss on derecognition of assets		55,595	48,420
Total on-balance sheet charge		113,040	125,800
Off-balance sheet exposures	6.1.5 (e)	89	(6,488)
As at 31 December		113,129	119,312

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 growth of new Salaried Workers Loans and other consumers' loans originated during the period, aligned with the Bank's organic growth objective, increase the gross carrying amount of the unsecured book by 16% (2020: 23%) while secured book slightly increased by 6% (2020: decreased by 8%), with a corresponding TZS 1.1 billion decrease in loss allowance for unsecured book (2020: TZS 5.1 billion), and a decrease of TZS 6.8 billion (2020: increase of TZS 10.4 billion) for secured book.

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.

Total Loans and advances

Amounts in TZS' Millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	3,918,022	164,862	231,287	4,314,171
Segment Reallocation		0	4	
Movements				
Transfer from stage 1 to stage 2	(21,437)	13,394	-	(8,043)
Transfer from stage 1 to stage 3	(86,883)	-	71,870	(15,013)
Transfer from stage 2 to stage 1	25,466	(25,562)	-	(96)
Transfer from stage 2 to stage 3	-	(10,791)	9,845	(946)
Transfer from stage 3 to stage 1	10,777	-	(7,673)	3,104
Transfer from stage 3 to stage 2	-	965	(1,841)	(876)
Maintained Stage and other movements	11,385	6,567	(14,255)	3,696
New Financial assets originated or purchased	1,521,000	14,115	37,019	1,572,135
Financial assets that have been de-recognized	(845,840)	(18,808)	(31,702)	(888,110)
Write-offs	(7,030)	(831)	(100,002)	(107,863)
As at 31 December 2021	**4,525,460**	**143,911**	**194,548**	**4,863,919**
As at 1 January 2020	3,387,741	127,107	253,950	3,768,798
Movements				
Transfer from stage 1 to stage 2	(44,544)	41,949	-	(2,595)
Transfer from stage 2 to stage 1	4,550	(9,240)	-	(4,690)
Transfer from stage 1 to stage 3	(34,192)	-	33,276	(916)
Transfer from stage 3 to stage 1	29,955	-	(39,882)	(9,927)
Transfer from Stage 3 to Stage 2	-	6,092	(7,717)	(1,625)
Transfer from Stage 2 to Stage 3	-	(6,696)	6,773	77
Maintained Stage and other movements	(131,394)	(35,257)	10,574	(156,077)
New Financial assets originated or purchased	1,509,787	58,197	97,042	1,665,026
Financial assets that have been de-recognised	(800,242)	(12,963)	(27,551)	(840,756)
Write-offs	(3,639)	(4,327)	(95,178)	(103,144)
As at 31 December 2020	**3,918,023**	**164,862**	**231,287**	**4,314,171**

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)

(i) 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 2021	719,139	112,008	92,110	923,257
Segment Reallocation	1,337	-	5,137	6,474
Movements				
Transfer from stage 1 to stage 2	(5,905)	3,128	-	(2,777)
Transfer from stage 1 to stage 3	(22,944)	-	28,810	5,866
Transfer from stage 2 to stage 1	5,473	(791)	-	4,682
Transfer from stage 2 to stage 3	-	(5,196)	3,822	(1,374)
Transfer from stage 3 to stage 1	4,510	-	(1,351)	3,159
Transfer from stage 3 to stage 2	-	734	(1,345)	(611)
Maintained Stage and other movements	(48,919)	113	(8,838)	(57,644)
New Financial assets originated or purchased	633,988	7,519	24,341	665,848
Financial assets that have been de-recognized	(499,455)	(6,785)	(10,079)	(516,319)
Write-offs	(1,091)	(79)	(41,004)	(42,174)
As at 31 December 2021	786,133	110,651	91,603	988,387
As at 1 January 2020	765,001	104,390	136,044	1,005,435
Movements				
Transfer from stage 1 to stage 2	(1,039)	138	-	(901)
Transfer from stage 2 to stage 1	3,102	(7,683)	-	(4,581)
Transfer from stage 1 to stage 3	(6)	-	26	20
Transfer from stage 3 to stage 1	18,927	-	(32,369)	(13,442)
Transfer from Stage 3 to Stage 2	-	6,040	(7,531)	(1,491)
Transfer from Stage 2 to Stage 3	-	(2)	21	19
Maintained Stage and other movements	(154,975)	(613)	44,243	(111,345)
New Financial assets originated or purchased	605,758	20,127	41,736	667,621
Financial assets that have been de-recognised	(515,174)	(6,483)	(19,282)	(540,939)
Write-offs	(2,455)	(3,906)	(70,778)	(77,139)
As at 31 December 2020	719,139	112,008	92,110	923,257

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

Amounts in TZS' Millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	2,770,599	8,948	36,429	2,815,976
Segment Reallocation	14,793	-	(3)	14,790
Movements				
Transfer from stage 1 to stage 2	(7,430)	6,872	-	(558)
Transfer from stage 1 to stage 3	(17,315)	-	16,737	(578)
Transfer from stage 2 to stage 1	2,943	(3,329)	-	(386)
Transfer from stage 2 to stage 3	-	(2,731)	2,586	(145)
Transfer from stage 3 to stage 1	2,012	-	(2,353)	(341)
Transfer from stage 3 to stage 2	-	231	(496)	(265)
Maintained Stage and other movements	18,343	2,270	(953)	19,660
New Financial assets originated or purchased	665,467	1,936	1,122	668,525
Financial assets that have been de-recognized	(219,028)	(1,751)	(3,520)	(224,299)
Write-offs	(5,300)	(745)	(13,945)	(19,990)
As at 31 December 2021	3,225,084	11,701	35,604	3,272,389
As at 1 January 2020	2,261,340	8,237	22,473	2,292,050
Movements				
Transfer from stage 1 to stage 2	(7,728)	6,675	-	(1,053)
Transfer from stage 1 to stage 3	(18,997)	-	16,956	(2,041)
Transfer from stage 3 to stage 1	1,070	-	(1,144)	(74)
Transfer from stage 2 to stage 1	1,448	(1,557)	-	(109)
Transfers from stage 3 to stage 2	-	52	(186)	(134)
Transfers from stage 2 to stage 3	-	(3,758)	3,325	(433)
Maintained Stage and other movements	73,750	(85)	(813)	72,852
New Financial assets originated or purchased	675,254	1,946	2,584	679,784
Financial assets that have been de-recognised	(214,554)	(2,141)	(4,824)	(221,519)
Write-offs	(984)	(421)	(1,942)	(3,347)
As at 31 December 2020	2,770,599	8,948	36,429	2,815,976

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)

(iii) Agribusiness loans

Amounts in TZS' Millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	144,936	35,268	66,209	246,413
Segment Reallocation	25,122	-	(4,603)	20,519
Movements				
Transfer from stage 1 to stage 2	(2,872)	2,542	-	(330)
Transfer from stage 1 to stage 3	(19,670)	-	13,039	(6,631)
Transfer from stage 2 to stage 1	16,676	(20,937)	-	(4,261)
Transfer from stage 2 to stage 3	-	(1,232)	1,172	(60)
Transfer from stage 3 to stage 1	-	-	(521)	(521)
Transfer from stage 3 to stage 2	-	-	-	-
Maintained Stage and other movements	44,508	(202)	(6,218)	38,088
New Financial assets originated or purchased	163,029	4,296	10,265	177,590
Financial assets that have been de-recognized	(92,905)	(10,116)	(13,759)	(116,780)
Write-offs	(639)	-	(20,295)	(20,934)
As at 31 December 2021	278,185	9,619	45,289	333,093
As at 1 January 2020	135,498	4,931	48,290	188,719
Movements				
Transfer from stage 1 to stage 2	(34,441)	33,118	-	(1,324)
Transfer from stage 1 to stage 3	(11,088)	-	9,716	(1,372)
Transfer from stage 3 to stage 1	9,958	-	(6,369)	3,589
Transfer from stage 2 to stage 3	-	(2,936)	3,427	491
Maintained Stage and other movements	(43,008)	(27,399)	(6,667)	(77,074)
New Financial assets originated or purchased	114,203	29,504	22,761	166,468
Financial assets that have been de-recognised	(26,186)	(1,950)	(1,833)	(29,969)
Write-offs	-	-	(3,116)	(3,116)
As at 31 December 2020	144,936	35,268	66,209	246,413

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

Amounts in TZS' Millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	283,348	8,638	36,539	328,525
Segment Reallocation	(41,252)	-	(531)	(41,783)
Movements				
Transfer from stage 1 to stage 2	(5,230)	852	-	(4,378)
Transfer from stage 1 to stage 3	(26,954)	-	13,284	(13,670)
Transfer from stage 2 to stage 1	374	(505)	-	(131)
Transfer from stage 2 to stage 3	-	(1,632)	2,265	633
Transfer from stage 3 to stage 1	4,255	-	(3,448)	807
Transfer from stage 3 to stage 2	-	-	-	-
Maintained Stage and other movements	(2,547)	4,386	1,754	3,593
New Financial assets originated or purchased	58,516	364	1,291	60,171
Financial assets that have been de-recognized	(34,452)	(156)	(4,344)	(38,952)
Write-offs	-	(7)	(24,758)	(24,765)
As at 31 December 2021	236,058	11,940	22,052	270,050
As at 1 January 2020	225,902	9,549	47,143	282,594
Movements				
Transfer from stage 1 to stage 2	(1,336)	2,018	-	682
Transfer from stage 1 to stage 3	(4,101)	-	6,578	2,477
Maintained Stage and other movements	(7,161)	(7,160)	(26,189)	(40,510)
New Financial assets originated or purchased	114,572	6,620	29,961	151,153
Financial assets that have been de-recognised	(44,328)	(2,389)	(1,612)	(48,329)
Write-offs	(200)	-	(19,342)	(19,542)
As at 31 December 2020	283,348	8,638	36,539	328,525

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.6 Write-off policy

The Bank writes off financial assets that have been past due for more than 720 days. The Bank may write-off some financial assets in whole or in part before the 720 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 2021 was TZ 107.8 billion (2020: TZS 94.48 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:

Loans and advance to customers	2021 TZS Millions	2020 TZS Millions
Gross amount before modification	106,189	82,897
Net modification gain	839	1,103

The net modification gain 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 gain had been anticipated and already materially reflected within the ECL allowance.

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 2021 (2020: Nil). The expected credit loss is expected to be insignificant. As at 31 December 2021, the Bank held treasury bond with face value of TZS 87 billion as collateral in respect of these balances (2020: Nil).

6.1.9 Debt securities, treasury bills and other eligible bills

The Bank holds 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 2021 (2020: Nil).

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.10 Balances with Bank of Tanzania and other assets

Other assets are categorized as stage 1 and stage 3, balances with Bank of Tanzania are categorized as stage 1. 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 COVID 19 – Impact

COVID-19 pandemic is still impacting some of our borrowing customers though with improvement. The Bank has proactively and prudently implemented various strategies including;

- Early identification and remedial actions for the stressed customers to assist them to continue performing and avoid significant additional impairment i.e. loan restructuring for genuine cases. The Bank has so far restructured credit lines with total exposure of around TZS 72.5 billion due to COVID-19 mainly being payment holidays ranging from 3 to 6 months;
- Extending credit lines to lowly impacted sectors, enhance close monitoring for partially impacted sectors and reduce lending for highly impacted sectors. Most impacted businesses are Garments, Cosmetics, Hotel/Lodges, Tourism, Electronics, Hardware & Building Material, Spare parts and Textiles; and
- Execution of normal recovery strategies for difficult cases. This portfolio is being reviewed and immediate actions are taken where necessary.

Overall assessment of significant increase in credit risk (SICR) for customers impacted by COVID-19 outbreak has been done on a case-by-case basis whereby reclassification or remedial action has been considering quantitative and qualitative criteria. There was no any change in ECL model assumptions.

In line with Bank of Tanzania relief package, all credit lines restructured due to COVID-19 impact have remained in the same classifications as were before restructuring and the accounts are upgraded to better bucket after paying two instalments on time consecutively.

Close monitoring is being done for all restructured loans to ensure these accounts are turned to performing bucket; Most restructured loans are performing well (79%).

6.1.13 Concentration of risks of financial assets with credit risk exposure

(a) 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 2021. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

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

(a) Geographical sectors (continued)

Credit risk exposures relating to on-balance sheet assets are as follows:	Tanzania TZS Millions	Europe TZS Millions	America TZS Millions	Others TZS Millions	Total TZS Millions
31 December 2021					
Balances with the Bank of Tanzania	999,775	-	-	-	999,775
Placement and balances with other banks	162,185		96,277	78,793	337,255
Investment in Government securities		-			
- Amortised cost	1,683,950	-	-	-	1,683,950
- Fair value through Other Comprehensive Income	55,330	-	-	-	55,330
Loans and advances to customers	4,863,919	-	-	-	4,863,919
Other assets (excluding non-financial assets)	96,482	-	-	-	96,482
As at 31 December 2021	7,861,641	-	96,277	78,793	8,036,711
Credit risk exposures relating to off-balance sheet assets are as follows:					
Guarantees and indemnities (Note 39(a))	229,577	-	-	-	229,577
Undrawn commitments (Note 39(a))	246,563	-	-	-	246,563
Acceptances and letters of credit (Note 39(a))	757,621	-	-	-	757,621
As at 31 December 2021	1,233,761	-	-		1,233,761

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

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

(a) Geographical sectors (continued)

Credit risk exposures relating to on-balance sheet assets are as follows:	Tanzania TZS Millions	Europe TZS Millions	America TZS Millions	Others TZS Millions	Total TZS Millions
31 December 2020					
Balances with the Bank of Tanzania	385,799	-	-	-	385,799
Placement and balances with other banks	88,056	26,108	45,969	10,696	170,829
Investment in Government securities					
- Amortised cost	1,275,291	-	-	-	1,275,291
- Fair value through Other Comprehensive Income	28,962	-	-	-	28,962
Loans and advances to customers	4,109,362	-	-	-	4,109,362
Other assets (excluding non-financial assets)	43,227	-	-	-	43,227
As at 31 December 2020	5,930,697	26,108	45,969	10,696	6,013,470
Credit risk exposures relating to off-balance sheet assets are as follows:					
Guarantees and indemnities (Note 39(a))	238,671	-	-	-	238,671
Undrawn commitments (Note 39(a))	120,065	-	-	-	120,065
Acceptances and letters of credit (Note 39(a))	266,145	-	-	-	266,145
As at 31 December 2020	624,881	-	-		624,881

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.13 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):

	Financial institutions	Manu-facturing	Trading and commercial	Trans-port and communi-cation	Wholesale and retail	Agricul-ture	Individ-uals	Others	Total
31 December 2021									
Balances with the Bank of Tanzania	999,775	-	-	-		-	-	-	999,775
Placement and balances with other banks	337,255	-	-	-	-	-	-	-	337,255
Investment in Government securities					-				
- Amortised cost	1,683,950	-	-	-		-	-	-	1,683,950
- Fair value through Other Comprehensive Income	55,330	-	-	-	-	-	-	-	55,330
Loans and advances to customers	-	205,960	471,004	124,621	-	333,092	3,283,247	123,512	4,863,919
Other assets (excluding non-financial assets)	-	-	-	-	322,483	-	-	96,482	96,482
As at 31 December 2021	3,076,310	205,960	471,004	124,621	322,483	333,092	3,283,247	219,994	8,036,711
Credit risk exposures relating to off-balance sheet assets are as follows:									
Guarantees and indemnities (Note 39(a))	1,203	577	196,599	18,864	11,585	126	-	623	229,577
Undrawn commitments (Note 39(a))	-	60,022	134,561	145	-	40,668	-	11,167	246,563
Acceptances and letters of credit (Note 39(a))	536	8,421	148,852	10,639	433,521	35,275	-	120,377	757,621
As at 31 December 2021	1,739	69,020	480,012	29,648	445,106	76,069	-	132,167	1,233,761

REPORT OF THE DIRECTORS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

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

(b) Industry sectors (continued)

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):

	Financial institutions	Manu-facturing	Trading and commercial	Trans-port and communi-cation	Wholesale and retail	Agricul-ture	Individ-uals	Others	Total
31 December 2020									
Balances with the Bank of Tanzania	385,799	-	-	-	-	-	-	-	385,799
Placement and balances with other banks	170,829	-	-	-	-	-	-	-	170,829
Investment in Government securities									
- Amortised cost	1,275,291	-	-	-	-	-	-	-	1,275,291
- Fair value through Other Comprehensive Income	28,962	-	-	-	-	-	-	-	28,962
Loans and advances to customers	-	202,047	214,262	76,244	577,906	203,639	2,829,529	48,962	4,109,362
Other assets (excluding non-financial assets)	-	-	-	-	-	-	-	43,227	43,227
As at 31 December 2020	1,904,108	202,047	214,262	76,244	577,906	203,639	2,829,529	92,189	6,013,470
Credit risk exposures relating to off-balance sheet assets are as follows:									
Guarantees and indemnities (Note 39(a))	7,095	268	181,688	12,788	34,499	1,258	-	1,075	238,671
Undrawn commitments (Note 39(a))	-	21,253	26,315	1,089	66,267	2,844	-	2,297	120,065
Acceptances and letters of credit (Note 39(a))	4,106	35,811	115,681	11,544	24,293	8,536	-	66,174	266,145
As at 31 December 2020	11,201	57,332	323,684	25,421	125,059	12,638	-	69,546	624,881

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 summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2021 and 31 December 2020. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

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:

	USD Millions	EURO Millions	GBP Millions	Others Millions	Total
As at 31 December 2021					
Assets					
Cash and balances with Bank of Tanzania	363,379	3,920	437	1,316	369,052
Placement and balances with other banks	270,980	26,451	4,691	788	302,910
Loans and advances to customers	248,642	-	6	-	248,648
Other assets (excluding non-financial assets)	2,772	26	-	-	2,798
Total financial assets	885,773	30,397	5,134	2,104	923,408
Liabilities					
Deposits from customers	567,233	16,256	2,000	-	585,489
Long term borrowing	150,020	-	-	-	150,020
Lease liabilities	4,505	-	-	-	4,505
Other liabilities (excluding non-financial other liabilities)	2,882	-	-	-	2,882
Total financial liabilities	724,640	16,256	2,000	-	742,896
Net on-balance sheet financial po-sition	161,133	14,141	3,134	2,104	180,512
Off balance sheet position					
Guarantee and indemnities	117,459	-	-	-	117,459
Undrawn commitments	110,711	-	-	-	110,711
Acceptance and letters of credit	691,328	28,727	-	20,461	740,516
Total off-balance sheet items	919,498	28,727	-	20,461	968,686

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:

	USD Millions	EURO Millions	GBP Millions	Others Millions	Total
As at 31 December 2020					
Assets					
Cash and balances with Bank of Tanzania	250,016	10,181	1,946	1,932	264,075
Placement and balances with other banks	142,207	20,669	6,990	963	170,829
Loans and advances to customers	272,529	-	-	2	272,531
Other assets (excluding non-financial assets)	214	29	-	101	344
Total financial assets	664,966	30,879	8,936	2,998	707,778
Liabilities					
Deposits from customers	489,825	16,228	2,497	-	508,550
Long term borrowing	82,272	-	-	-	82,272
Lease liabilities	4,453	-	-	-	4,453
Other liabilities (excluding non-financial other liabilities)	3,639	5	3	-	3,647
Total financial liabilities	580,189	16,233	2,500	-	598,922
Net on-balance sheet financial po-sition	84,777	14,646	6,436	2,998	108,857
Off balance sheet position					
Guarantee and indemnities	194,342	-	-	-	194,342
Undrawn commitments	20	-	-	-	20
Acceptance and letters of credit	239,568	14,562	-	-	254,130
Total off-balance sheet items	433,930	14,562	-	-	448,492

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 pre-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, borrowings, lease liabilities, other assets and other liabilities is analyzed in the table below:

	% change in exchange rate	2021 TZS Millions	2020 TZS Millions
USD	10%	16,113	8,478
EURO	10%	1,414	1,465
GBP	10%	313	644

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

The principal risk to which non-trading portfolio are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments 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 rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits on profit or loss impact, upon parallel change of 200bps that will be sustained for a period of 12 months.

The Board Audit and Risk Management Committee is the monitoring body for compliance with these limits, and has delegates the Bank's Asset and Liability Committee (ALCO) for regular reviews and monitoring activities. The table on the next page summarizes the Bank's Interest gap position and non-trading porfolio. The Bank does not bear an interest rate risk on off balance sheet items. The Bank's assets and liabilities are disclosed at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.2 Interest rate risk (continued)

31 December 2021	Up to 1 month TZS Millions	1 - 3 months TZS Milions	3 - 12 months TZS Milions	1 - 5 years TZS Milions	Over 5 years TZS Milions	Non-interest bearing TZS Millons	Total TZS Milllions
Assets							
Cash and balances with Bank of Tanzania	-	-	-	-	-	1,484,029	1,484,029
Investment in Government securities							
- Amortised cost	54,345	55,868	388,024	526,340	659,373	-	1,683,950
- Fair value through other comprehensive income	-	-	-	11,281	44,049	-	55,330
Placement and balances with other banks	183,776	-	-	-	-	153,479	337,255
Loans and advances to customers	363,336	41,126	650,688	2,602,088	996,695	-	4,653,933
Equity Investments	-	-	-	-	-	2,920	2,920
Other assets (excluding non-financial assets)	-	-	-	-	-	96,482	96,482
Total financial assets	601,457	96,994	1,038,712	3,139,709	1,700,117	1,736,910	8,313,899
Liabilities							
Deposits from customers	316,517	469,575	1,028,523	743,939	14,931	4,090,778	6,664,263
Deposit from banks	-	-	-	-	-	408	408
Borrowing	4,930	16,436	358,885	42,939	-	-	423,190
Lease liabilities	1,088	102	1,280	20,566	43,221	-	67,142
Subordinated Debt	2,835	-	-	68,190	-	-	71,025
Other liabilities (excluding non-financial other lia-bilities)	-	-	-	-	-	46,147	46,147
Total financial liabilities	326,255	486,113	1,388,688	875,634	58,152	4,137,333	7,272,175
Total interest gap	275,202	(389,119)	(349,976)	2,264,075	1,641,965		

REPORT OF THE DIRECTORS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.2 Interest rate risk (continued)

31 December 2020	Up to 1 month TZS Millions	1 - 3 months TZS Milions	3 - 12 months TZS Milions	1 - 5 years TZS Milions	Over 5 years TZS Milions	Non-interest bearing TZS Millons	Total TZS Milllions
Assets							
Cash and balances with Bank of Tanzania	-	-	-	-	-	1,047,488	1,047,488
Investment in Government securities							
- Amortised cost	20,469	159,477	302,615	436,087	356,643	-	1,275,291
- Fair value through other comprehensive income	-	-	-	899	28,063	-	28,962
Placement and balanc-es with other banks	91,999	-	41,474	-	-	37,356	170,829
Loans and advances to customers	234,122	179,970	639,563	1,630,832	1,424,875	-	4,109,362
Equity Investments	-	-	-	-	-	2,920	2,920
Other assets (excluding non-financial assets)	-	-	-	-	-	43,227	43,227
Total financial assets	346,590	339,447	942,178	2,067,818	1,809,581	1,130,991	6,678,079
Liabilities							
Deposits from customers	494,483	470,910	851,458	694,079	-	2,814,525	5,325,455
Deposit from banks	131,224	-	-	-	-	-	131,224
Borrowing	6,984	20,714	66,083	158,935	-	-	252,715
Lease liabilities	-	17,689	-	52,415	-	-	71,025
Subordinated Debt	3,169	1,203	10,915	36,473	18,344	-	70,104
Other liabilities (exclud-ing non-financial other lia-bilities)	-	-	-	-	-	60,226	60,226
Total financial liabilities	635,860	510,516	928,456	941,902	18,344	2,874,751	5,910,749
Total interest gap	(289,270)	(354,632)	13,722	1,125,916	1,791,237		

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.2 Interest rate risk (continued)

Interest rate risk sensitivity

An analysis of Bank's Sensitivity to a 1% increase/decrease in market rates, assuming no asymmetrical movement in yield curves, and a constant financial position would have the following effect on profit or loss. (Amounts in TZS million).

	Sensitivity	Impact on Profit or Loss
2021	+/- 1%	+/- 1,162
2020	+/- 1%	+/- 1,788

6.2.3 Price risk

The Group and Bank are exposed to equity securities price risk because of investment in Tanzania Mortgage Refinance Company (TMRC) shares and investments in government securities that are measured at fair value through other comprehensive income (FVOCI). The Group diversifies its portfolio in order to manage price risk arising from investments in equity and debt securities.

Price sensitivity

To the extent that the directors increased the yield rate by 10 basis point, the fair values would be estimated at TZS 55,292 million (2020: TZS 28,946 million) as compared to their reported fair value of TZS 55,330 million at 31 December 2021 (2020: TZS 28,962 million). If the yield rate had decreased by 10 basis points the fair value would be estimated at TZS 55,367 million (2020: TZS 28,978 million).

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 (2020: TZS 292 million).

6.2.4 Interest rate benchmark reform

The Group is exposed to the USD LIBOR interest rate benchmark which is subject to the interest rate benchmark reform. The exposures arise on non-derivative financial assets and liabilities.

The Group is closely monitoring the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the BOT regarding the transition from LIBOR to the new benchmarks.

In response to the announcements, the Group has in place an interest rate benchmark transition program which is monitored by ALCO

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.4 Interest rate benchmark reform (continued)

Risks arising from interest rate benchmark reform

The key risks for the Group arising from the transition are:

Pricing risk:

The transition to alternative benchmark rates and the discontinuation of interest rate benchmarks may impact the pricing mechanisms used by the Group on certain transactions. However, the impact is not expected to be significant as the Group does not have traded instruments which are priced with LIBOR.

Liquidity risk:

There are fundamental differences between IBORs and the various alternative benchmark rates which the Group will be adopting. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk free overnight rates published at the end of the overnight period, with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments which will require additional liquidity management. The Group's liquidity risk management policy shall be updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Regulatory risk:

Regulatory models and methodologies are in the process of being updated (e.g. to accommodate new market data). No guidance has been issued by BoT as at the year end. There is a risk that such models are not fully updated, tested and approved by the regulator in time.

Progress towards implementation of alternative benchmark interest rates

As a result of the Phase 2 amendments:

- For existing contracts maturing before 30th June 2023 the Group shall continue to use USD LIBOR rate. As at 31st December 2021 there was no any contract that was maturing after 30th June 2023 with LIBOR as a reference rate.
- For new contracts that would traditionally have LIBOR as a benchmark the Group shall shift to Chicago Merchantile Exchange (CME) Term Secured Overnight Financing Rate (SOFR) as an alternative benchmark rate.

For advances and loans;

The Group had no any items which were priced at USD LIBOR maturing after the cessation period of 30th June 2023. The Group has been pricing these instruments using the NMB base rate and shall expect to use its internal rate.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.4 Interest rate benchmark reform (continued)

Borrowings

As at 31st December, 2021 the Group has borrowing contracts amounting to USD 65 million (equivalent to TZS 150 billion) priced at USD LIBOR rates. However, all the contracts shall mature before 30th June 2023 and no changes shall be applied to these contracts.

Customer accounts

The group has always published its own USD rates based on local market conditions as a result the transition has no impact on any customer accounts.

Summary of transition

The following table summarizes the non-derivative financial liabilities held by the Group that feature cash flows that have been or will be affected by the interest rate benchmark reform. It does not include the Group's fixed rate financial liabilities because cash flows on those instruments are not affected by the interest rate benchmark reform.

Non derivative financial liabilities

Non-derivative financial instrument prior to transition	Rate	Maturing in	Nominal in original currency (million)	Total Nominal (TZS' million)	Transition progress for non-derivative financial assets
Borrowing (Note 32 (i))	6 month USD LIBOR+3.25%	Aug 2022	$5	11,540	No changes
Borrowing (Note 32 (vi))	6 month USD LIBOR+1.5%	Nov 2022	$20	46,160	No changes
Borrowing (Note 32 (vi))	6 month USD LIBOR+1.5%	Jun 2022	$40	92,320	No changes
Total floating rate non-derivative liabilities			$65	150,020	
Amounts subject to the interest rate benchmark reform			Nil	Nil	

The Group did not have the floating rate derivative financial instruments.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 risk 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 daily obligations can be met. This includes 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 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.

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).

6.3.2 Funding approach

Sources of liquidity are regularly reviewed by the 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 on the next page are the undiscounted cash flows.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Liquidity risk (continued)

6.3.3 Non-derivative cash flows (continued)

As at 31 December 2021	Up to 1 month TZS Milions	1 - 3 months TZS Milions	3 - 12 months TZS Milions	Over 1 year TZS Millons	Total TZS Milllions
Liabilities					
Deposits from customers	1,142,465	1,067,735	2,271,951	2,284,097	6,766,248
Deposits from banks	408	-	-	-	408
Long term borrowing*	2,905	16,939	381,558	50,101	451,503
Subordinated debt*	-	4,835	4,835	85,111	94,781
Lease liabilities	-	2,135	6,445	84,745	93,325
Other liabilities (excluding non-financial liabilities)	46,147	-	-	-	46,147
Total liabilities	**1,191,925**	**1,091,644**	**2,664,789**	**2,504,054**	**7,452,412**
Assets held for managing liquidity	**1,438,876**	**55,868**	**388,024**	**1,241,043**	**3,123,811**
As at 31 December 2020					
Liabilities					
Deposits from customers	3,309,373	472,817	867,853	705,579	5,355,622
Deposits from banks	131,916	-	-	-	131,916
Long term borrowing*	7,184	21,966	66,833	160,661	256,644
Subordinated debt*	795	4,398	7,285	72,405	84,883
Lease liabilities	3,169	1,204	11,553	60,134	76,060
Other liabilities (excluding non-financial liabilities)	60,226	-	-	-	60,226
Total liabilities	**3,512,663**	**500,385**	**953,524**	**998,779**	**5,965,351**
Assets held for managing liquidity	**869,294**	**159,477**	**344,089**	**821,692**	**2,194,552**

* 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.

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 and balances 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 TZS Milions	1 - 5 years TZS Millons	Total TZS Milllions
As at 31 December 2021			
Guarantee and indemnities	210,884	18,693	229,577
Undrawn commitments	246,563	-	246,563
Acceptance and letter of credit	746,037	11,584	757,621
Total	1,203,484	30,277	1,233,761
As at 31 December 2020			
Guarantee and indemnities	238,140	531	238,671
Undrawn commitments	120,065	-	120,065
Acceptance and letter of credit	264,604	1,541	266,145
Total	622,809	2,072	624,881

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:

	Fair value at					
Type	**2021 TZS Milions**	**2020 TZS Milions**	**Hierarchy**	**Valuation technique and key inputs**	**Significant unobservable inputs**	**Relationship of unobservable input to fair value**
Investment in government securities	55,330	28,962	Level 2	Market observable inputs	N/A	N/A
Equity instruments	2,920	2,920	Level 2	Market observable inputs	Latest transaction offer the equity instrument by TMRC	N/A

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

The fair value of cash and cash equivalents, loans and advances, customer deposits and borrowed funds are evaluated by the bank based on parameters such as interest rates, specific and individual creditworthiness of the customer. The valuation is performed on a discounted cashflow basis.

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 include treasury bonds and treasury bills .The fair value of government securities held at amortized cost are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, as traded in the primary market by the 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 to customers 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 original effective interest rate 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.

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	
BANK	Hierarchy level	2021 TZS Milions	2020 TZS Milions	2021 TZS Milions	2020 TZS Milions
Financial assets					
Cash and balances with Bank of Tanzania	Level 2	**1,484,029**	1,047,488	**1,484,029**	1,047,488
Government securities at amortised cost (Treasury bonds)	Level 2	**1,362,039**	889,268	**1,294,899**	886,075
Government securities at amortised cost (Treasury bills)	Level 2	**321,911**	386,023	**322,404**	386,402
Placement and balances with other banks	Level 2	**337,255**	170,829	**337,255**	170,829
Loans and advances to customers	Level 2	**4,653,933**	4,109,362	**4,616,286**	4,109,362
Other assets (excluding non-financial assets) *	Level 3	**96,482**	43,227	**96,482**	43,227
		8,255,649	6,646,197	**8,151,355**	6,643,383
Financial liabilities					
Deposits from customers	Level 3	**6,664,263**	5,325,455	**6,664,263**	5,325,455
Deposits from banks	Level 2	**408**	131,224	**408**	131,224
Subordinated debt	Level 3	**71,025**	71,025	**71,025**	71,025
Borrowings	Level 3	**423,190**	252,715	**423,190**	252,715
Other liabilities (Excluding non-financial other liabilities)	Level 3	**46,147**	60,226	**46,147**	60,226
		7,205,033	5,840,645	**7,205,033**	5,840,645

There was no transfer of assets between the fair value hierarchy levels.

*Prepayments, inventory, provision for other assets and stationery are excluded from other assets balance, as this analysis is for financial instruments only.

**Non-financial liabilities such as provision and statutory liabilities are excluded from other liabilities balance, as this analysis is for financial instruments only.

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 of 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. 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 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 the 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.

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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Capital management (continued)

- **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 of Tanzania.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of 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 2021 and year ended 31 December 2020. During those two periods, the Bank complied with all the externally imposed capital requirements to which it is subject.

	Note	2021 TZS Milions	2020 TZS Milions
Tier 1 capital			
Share capital		20,000	20,000
Retained earnings		1,330,828	1,109,142
Less: Prepaid expenses	23(b)	(15,235)	(16,893)
Less: Deferred tax assets	27	(93,799)	(85,610)
Total qualifying Tier 1 capital (A)		1,241,794	1,026,639
Tier 2 capital			
Subordinated debt		40,914	68,190
Fair valuation reserve		564	792
Total qualifying Tier 2 capital (B)		41,478	68,982
Maximum Tier 2 capital allowed (2% of Risk weighted assets) – (C) [a]		104,091	106,201
Total regulatory capital (D) = [(A) + Lower of (B) or (C)]		1,283,272	1,095,621

REPORT OF THE DIRECTORS

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Capital management (continued)

Risk-weighted assets		2021 TZS Milions	2020 TZS Milions
On-balance sheet		3,683,735	4,435,680
Off-balance sheet		958,315	397,538
Market risk		76,309	57,003
Operational risk [(b)]		491,181	419,815
Total risk-weighted assets (E)		5,209,540	5,310,036
	Required ratio (%)	2021 Banks Ratio %	2021 Banks Ratio %
Tier 1 capital	12.5	23.8	19.3
Tier 1 + Tier 2 capital	14.5	24.6	20.6

The increase in the total regulatory capital in the 2021 is mainly due to the increase of the current-year profit and the reduction of risk weight on SWL from 100% to 50% despite the increase of the off-balance sheet exposure and operational risk capital charge during the year.

(a) As per Bank of Tanzania requirement, Tier 2 Capital should not exceed 2% of the total risk weighted assets and off-balance sheet exposure.

(b) 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.

7. INTEREST INCOME

	2021 TZS Milions	2020 TZS Milions
(a) GROUP		
Loans and advances to customers	679,835	603,239
Government securities at amortized cost	128,928	103,316
Government securities at fair value through OCI	3,567	3,828
Placements and balances with other banks	3,116	2,265
	815,446	712,648
(b) BANK		
Loans and advances to customers	679,835	603,568
Government securities at amortized cost	128,928	103,316
Government securities at fair value through OCI	3,567	3,828
Placements and balances with other banks	3,116	2,265
	815,446	712,977

8. INTEREST EXPENSES

	2021 TZS Milions	2020 TZS Milions
(a) GROUP		
Deposits from customers	62,486	59,865
- Time deposits	27,698	32,367
- Current accounts	9,413	14,057
- Saving deposits	932	176
Deposits due to other banks	24,468	21,261
Borrowings from financial institutions	8,335	11,475
NMB bond	2,274	2,282
Lease liabilities	135,606	141,483
(b) BANK		
Deposits from customers	62,486	59,865
- Time deposits	27,698	32,367
- Current accounts	9,413	14,057
- Saving deposits	932	176
Deposits due to other banks	24,468	21,261
Borrowings from financial institutions	8,335	11,475
NMB bond	5,899	8,120
Lease liabilities	139,231	147,322

9. FOREIGN EXCHANGE INCOME

(a) GROUP		
Foreign currency trading	33,583	27,377
(b) BANK		
Foreign currency trading	33,583	27,377

10. NET FEES AND COMMISSION INCOME

	2021 TZS Milions	2020 TZS Milions
GROUP AND BANK		
Fees and commission income		
Credit related fees and commission	71,954	71,265
Other fees	30,542	26,314
Card fees	22,399	14,274
Agency banking fees	56,575	40,633
MNO collaboration fees	53,395	48,319
ATM fees and card issuing	40,077	36,273
Maintenance fees	20,840	20,887
Teller withdrawal fees	17,319	16,441
Commission - mobile banking	9,588	8,555
Government service fees	743	1,851
	323,432	284,812
Fees and commission expense		
Financial charges	(74,891)	(61,396)
Net fees and commission income	248,541	223,416

11. OTHER INCOME

	2021 TZS Milions	2020 TZS Milions
(a) (GROUP)		
Bad debts recovery	19,297	7,721
Miscellaneous income	1,608	1,222
Profit on disposal of property and equipment	12	159
Rental income	8	9
Gain on termination of lease liabilities	-	5,267
Dividend on TMRC equity investments	63	17
	20,988	14,395
(b) (BANK)		
Bad debts recovery	19,297	7,721
Miscellaneous income	1,637	1,222
Profit on disposal of property and equipment	12	159
Rental income	8	9
Gain on termination of lease liabilities	-	5,267
Dividend on TMRC equity investments	63	17
	21,017	14,395

12. EMPLOYEE BENEFITS EXPENSE (GROUP AND BANK)

	2021 TZS Milions	2020 TZS Milions
Salaries and allowances	119,424	110,228
Other staff cost	18,571	14,659
Other emoluments	87,789	68,807
Pension costs - defined contribution plan	17,895	16,480
	243,679	210,174

13. OTHER OPERATING EXPENSES

(a) (GROUP)

	2021 TZS Milions	2020 TZS Milions
Administrative expenses	38,136	36,181
Cash trip expenses	9,535	6,179
Depositor's Protection Fund Insurance	7,602	6,790
Operating lease rent	230	968
Utilities	15,000	16,097
Security expenses	10,759	10,897
Marketing and advertising expenses	9,259	7,589
Repairs and maintenance	43,029	44,922
Travelling expenses	9,911	8,644
Management contract expenses	1,942	-
Other expenses	1,550	67
Auditors' remuneration	732	676
Directors' remuneration:		
- Fees	107	101
- Others	314	215
Impairment charge of other assets	984	1,060
	149,090	140,386

(b) (BANK)

	2021 TZS Milions	2020 TZS Milions
Administrative expenses	37,967	35,710
Cash trip expenses	9,535	6,179
Depositor's Protection Fund Insurance	7,602	6,790
Operating lease rent	230	968
Utilities	15,000	16,097
Security expenses	10,759	10,897
Marketing and advertising expenses	9,259	7,589
Repairs and maintenance	43,028	44,922
Travelling expenses	9,911	8,644
Management contract expenses	1,942	256
Other expenses	1,550	67
Auditors' remuneration	732	676
Directors' remuneration:		
- Fees	107	101
- Others	314	215
Impairment charge of other assets	984	1,060
	148,920	140,171

14. DEPRECIATION AND AMORTISATION

	2021 TZS Milions	2020 TZS Milions
a) GROUP		
Depreciation of property and equipment (Note 24(a))	43,668	46,369
Amortization of right-of-use assets (Note 26(a))	9,420	11,124
Amortization of intangible assets (Note 25)	8,667	10,815
	61,755	68,308
b) BANK		
Depreciation of property and equipment (Note 24(b))	41,637	44,399
Amortization of right of use assets (Note 26(b))	12,163	13,336
Amortization of intangible assets (Note 25)	8,667	10,815
	62,467	68,550

15. CURRENT INCOME TAX

a) INCOME TAX EXPENSE: GROUP

Income tax expense for the year is arrived at as follows:

	2021 TZS Milions	2020 TZS Milions
Current tax:		
In respect of current year	132,488	101,426
Over provision in prior period	917	(2,188)
	133,405	99,238
Deferred tax:		
In respect of current year (Note 27(a))	(6,217)	(9,972)
In respect of prior year (Note 27(a))	(1,312)	1,714
	(7,529)	(8,258)
	125,876	90,980

15. CURRENT INCOME TAX (CONTINUED)

a) INCOME TAX EXPENSE: GROUP (CONTINUED)

The tax on the Group's profit differs from the theoretical amount that would arise using the statutory income tax rate as follows:

Reconciliation of account profit to tax charge:	2021 TZS Milions	2020 TZS Milions
Profit before income tax	418,025	301,280
Tax calculated at the statutory income tax rate of 30% (2020: 30%)	125,408	90,384
Tax effect of:		
Depreciation on non-qualifying assets	1	370
Net under provision of deferred tax and current tax in prior year	(395)	(474)
Expenses not deductible for tax purposes	955	700
Non-taxable commission income	(243)	-
Dividend income	(19)	-
Recognition of UJVC deferred tax from previous year	169	-
Income tax expense	125,876	90,980

b) INCOME TAX EXPENSE - BANK

Income tax expense for the year is arrived at as follows:

	2021 TZS Milions	2020 TZS Milions
Current tax:		
In respect of current year	131,792	100,387
Over provision in prior period	-	(2,188)
	131,792	98,199
Deferred tax:		
In respect of current year (Note 27(b))	(6,779)	(9,972)
In respect of prior year (Note 27(b))	(1,312)	1,714
	(8,091)	(8,258)
	123,701	89,941

15. CURRENT INCOME TAX (CONTINUED)

b) INCOME TAX EXPENSE – BANK (CONTINUED)

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

Reconciliation of account profit to tax charge:	2021 TZS Milions	2020 TZS Milions
Profit before income tax	413,887	295,743
Tax calculated at the statutory income tax rate of 30% (2020: 30%)	124,166	88,722
Tax effect of:		
Depreciation on non-qualifying assets	(80)	370
Expenses not deductible for tax purposes	1,189	1,322
Over provision of current tax in prior year	-	(2,188)
(Over)/Under provision of deferred tax in prior year	(1,312)	1,714
Non taxable commission income	(243)	-
Dividend on equity instrument	(19)	
Income tax expense	123,701	89,941

c) CURRENT TAX (LIABILITIES)/ASSETS – GROUP

At start of the year	11,536	(12,366)
Current year tax expense (Note 15(a))	(133,405)	(99,238)
Tax paid	142,547	123,140
Tax recoverable	20,678	11,536

d) CURRENT TAX (LIABILITIES)/ASSETS – BANK

At start of the year	8,587	(15,303)
Current year tax expense (Note 15(b))	(131,792)	(98,199)
Tax paid	140,839	122,089
Tax recoverable	17,634	8,587

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:

	2021 TZS Milions	2020 TZS Milions
Net profit attributable to shareholders	292,078	209,969
Weighted average number of shares in issue in millions (Note 35)	500	500
Basic and diluted earnings per share (TZS)	584.16	419.94

(b) BANK

	2021 TZS Milions	2020 TZS Milions
Net profit attributable to shareholders	290,186	205,802
Weighted average number of shares in issue in millions (Note 35)	500	500
Basic and diluted earnings per share (TZS)	580.37	411.60

There being no dilutive or dilutive potential share options, the basic and diluted earnings per share are the same.

17. DIVIDEND PER SHARE

Dividends are not recognised as a liability until they have been ratified at the Annual General Meeting. The Directors propose payment of a dividend of TZS 193 per share, amounting to TZS 96,728 million out of 2021 profit. In 2021, dividend of TZS 137 per share, amounting to TZS 68,500 million was approved and paid in respect of the year ended 31 December 2020.

18. CASH AND BALANCES WITH BANK OF TANZANIA

(GROUP AND BANK)	2021 TZS Milions	2020 TZS Milions
Cash in hand		
- local currency	385,119	455,394
- foreign currency	99,135	206,295
Balances with Bank of Tanzania		
- local currency	293,105	-
- foreign currency	269,917	57,781
Statutory Minimum Reserves (SMR)*	436,753	328,018
	1,484,029	1,047,488
Current	1,484,029	1,047,488

*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)	2021 TZS Milions	2020 TZS Milions
Balances with banks abroad	123,274	82,773
Placement with local banks		
- Local currency	103,270	-
- Foreign currency	34,346	-
Placements with banks abroad	46,160	46,581
LC Discounting arrangements	30,205	41,474
	337,255	170,829
Current	337,255	170,829

20. (a) LOANS AND ADVANCES TO CUSTOMERS (GROUP)

Salaried workers loans (SWL)	3,240,989	2,798,460
MSE loans	322,876	324,845
Other consumer loans	69,489	67,273
Large corporate entities	755,388	622,930
SME loans	308,152	253,676
Agribusiness loans	167,025	246,414
Gross loans and advances to customers	4,863,919	4,308,206
Less: allowance for impairment	(209,986)	(204,809)
Net loans and advances to customers	4,653,933	4,108,891

Analysis of loans and advances to customers by maturity

Maturity analysis is based on the remaining periods to contractual maturity from year-end

	2021 TZS Milions	2020 TZS Milions
Maturing:		
Within 1 year	1,055,150	1,053,286
Between 1 year and 5 years	2,602,088	1,630,832
Over 5 years	996,695	1,424,773
	4,653,933	4,108,891

20. (b) LOANS AND ADVANCES TO CUSTOMERS (BANK)

	2021 TZS Milions	2020 TZS Milions
Salaried workers loans (SWL)	3,240,989	2,798,460
MSE loans	322,876	324,845
Other consumer loans	69,489	67,273
Large corporate entities	755,388	623,401
SME loans	308,152	253,676
Agribusiness loans	167,025	246,414
Gross loans and advances to customers	4,863,919	4,314,171
Less: allowance for impairment	(209,986)	(204,809)
Net loans and advances to customers	4,653,933	4,109,362

Analysis of loans and advances to customers by maturity

Maturity analysis is based on the remaining periods to contractual maturity from year-end

	2021 TZS Milions	2020 TZS Milions
Maturing:		
Within 1 year	1,055,150	1,053,758
Between 1 year and 5 years	2,602,088	1,630,832
Over 5 years	996,695	1,424,772
	4,653,933	4,109,362

20. (b) LOANS AND ADVANCES TO CUSTOMERS (BANK) (CONTINUED)

Analysis based on ECL segmentation

2021	Agribusiness	Overdraft	Secured	Unsecured	Total
Salaried workers loans	-	-	-	3,240,989	3,240,989
MSE loans	-	-	322,876	-	322,876
Other consumer loans	-	-	41,488	28,001	69,489
Large corporate entities	166,068	181,347	404,574	3,399	755,388
SME loans	-	88,703	219,449	-	308,152
Agribusiness loans	167,025	-	-	-	167,025
Grand Total	333,093	270,050	988,387	3,272,389	4,863,919

2020	Agribusiness	Overdraft	Secured	Unsecured	Total
Salaried workers loans	-	20,558	-	2,777,902	2,798,460
MSE loans	-	-	324,673	172	324,845
Other consumer loans	-	-	29,473	37,902	67,375
Large corporate entities	122,853	252,586	370,344	-	745,783
SME loans	-	55,381	198,767	-	254,148
Agribusiness loans	123,560	-	-	-	123,560
Grand Total	246,413	328,525	923,257	2,815,976	4,314,171

21. (a) GOVERNMENT SECURITIES AT AMORTISED COST (GROUP AND BANK)

	2021 TZS Milions	2020 TZS Milions
Treasury Bills	321,911	386,023
Treasury Bonds	1,362,039	889,268
	1,683,950	1,275,291
Current	498,233	482,561
Non-current	1,185,713	792,730
	1,683,950	1,275,291

Treasury Bills and Bonds are debt securities issued by the Government of the United Republic of Tanzania and during the year the effective interest rate was 7.6% (2020: 8.4%).

As at 31 December 2021, there were no treasury bills which were pledged as security (2020: 20 billion) while the treasury bonds with face value of TZS 9,277 million (2020: TZS 62,402 million) were pledged as securities to borrowings.

The movement in investment securities may be summarized as follows:	2021 TZS Milions	2020 TZS Milions
At 1 January	1,275,291	744,527
Interest income	128,928	103,316
Additions	871,111	830,915
Interest received	(95,288)	(56,445)
Matured securities	(496,092)	(347,022)
At 31 December	1,683,950	1,275,291

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:

	2021 TZS Milions	2020 TZS Milions
At 1 January	28,962	17,027
Interest income	3,567	3,828
Realised gain on fair valuation credited to P&L	2,726	3,107
Unrealised fair valuation loss to OCI (Note 35 (iv))	(326)	(525)
Additions	132,115	162,459
Interest received	(3,142)	(2,742)
Cash collection from disposal	(108,572)	(154,053)
At 31 December		
Non-current	55,330	28,962

22. EQUITY INVESTMENTS

(a) GROUP

Investment at FVOCI

Company name	2021 TZS Milions	% share	2020 TZS Milions	% share
Tanzania Mortgage Refinance Company Limited (TMRC)	2,920	7.81	2,920	7.81

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 2021, the Bank had 1,800,000 shares (2020: 1,800,000) in TMRC. The dividend that was declared during the year amounted to TZS 63 million (2020: TZS 17 million)

(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	2021 TZS Milions	% share holding	2020 TZS Milions	% share holding
Upanga Joint Venture Company Limited	39,639	88	39,639	88

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	2021 TZS Milions	2020 TZS Milions
Current		
Total current assets	7,267	5,817
Current liabilities	(1,563)	(2,735)
Total net current assets /(liabilities)	5,704	3,082
Non-current		
Assets	31,852	34,154
Liabilities	-	-
Total non-current net assets	31,852	34,154
Total net assets	37,556	37,236

22. EQUITY INVESTMENTS (CONTINUED)

(b) BANK (CONTINUED)

(i) Investment in a subsidiary (continued)

Summarised statement of comprehensive income	2021 TZS Milions	2020 TZS Milions
Revenue	4,922	5,977
Cost of sales	(119)	(142)
Finance costs	-	(329)
Administrative expenses	(2,110)	(2,043)
Tax (charge)/credit	(2,175)	(1,039)
Profit after tax	(518)	2,424
Allocated to non- controlling interest	71	331

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.

Summarised cash flows	2021 TZS Milions	2020 TZS Milions
Net cash generated from /(used in) operations	1,841	(183)
Net cash used in investing activities	-	-
Net cash used in financing activities	(471)	(5,540)
Net decrease in cash and cash equivalents	1,370	(5,722)
Cash and cash equivalents at start of the year	5	5,727
Cash and cash equivalents at end of the year	1,375	5

(ii) Investment at fair value through other comprehensive income

	2021		2020	
Company name	TZS Milions	% share holding	TZS Milions	% share holding
Tanzania Mortgage Refinance Company Ltd	2,920	7.81	2,920	7.81

23. OTHER ASSETS

(a) GROUP

	2021 TZS Milions	2020 TZS Milions
Service fees receivable	7,958	9,604
Prepayments	15,313	16,973
Other receivables	45,919	18,498
Staff imprest	20	29
Stationery Stock	1,673	946
Bank card Inventory	1,422	4,225
Balances due to related parties	1,443	1,443
Cheques and items for clearance	22,521	1,449
Balances with Mobile network operators	21,966	16,730
Less: Allowance for impairment of other receivables	(2,240)	(1,256)
	115,995	68,641
Current	99,662	67,010
Non-current	16,333	1,531
	115,995	68,641
The movement in provision for impairment of other assets is as follows:		
At start of the year	(1,256)	(196)
Charge for the year	(984)	(1,060)
At end of year	(2,240)	(1,256)

(b) BANK

	2021 TZS Milions	2020 TZS Milions
Service fees receivable	7,958	9,604
Prepayments	15,235	16,893
Other receivables	43,741	13,858
Staff imprest	20	29
Stationery Stock	1,673	946
Bank card Inventory	1,422	4,226
Balances due to related parties	1,443	1,443
Cheques and items for clearance	22,521	1,449
Balances with Mobile network operators	21,966	16,730
Less: Allowance for impairment of other receivables	(2,240)	(1,256)
	113,739	63,922
Current	97,406	62,390
Non-current	16,333	1,532
	113,739	63,922
The movement in allowance for impairment of other receivables is as follows:		
At start of the year	(1,256)	(196)
Charge for the year	(984)	(1,060)
At end of the year	(2,240)	(1,256)

Other assets have not been pledged as security for liabilities.

24. PROPERTY AND EQUIPMENT

(a) GROUP

Year ended 31 December 2021	Own building TZS Milions	Leasehold improvement TZS Milions	Motor vehicles TZS Milions	Computers, furniture and equipment TZS Milions	Capital work in progress* TZS Millons	Total TZS Milllions
COST						
At 1 January 2021	153,895	76,884	20,103	227,430	2,561	480,873
Additions	603	750	543	6,914	2,476	11,286
Transfers from WIP	590	1,023	-	1,487	(3,100)	-
Transfer from prepayments	-	-	992	8,8386	-	9,828
Reclassification	(21,818)	21,818	-	-	-	-
Disposal	-	-	-	(1,422)	-	(1,422)
At 31 December 2021	**133,270**	**100,475**	**21,638**	**243,245**	**1,937**	**500,565**
DEPRECIATION						
At 1 January 2021	43,864	40,000	17,469	163,825	-	265,158
Charge for the year	7,169	7,854	1,548	27,018	-	43,589
Reclassification	(4,520)	4,599	-	-	-	79
Adjustment**	270	-	-	-	-	270
Disposal	-	-	-	(1,421)	-	(1,421)
At 31 December 2021	**46,783**	**52,453**	**19,017**	**189,422**	**-**	**307,675**
NET BOOK VALUE						
At 31 December 2021	**86,487**	**48,022**	**2,621**	**53,823**	**1,937**	**192,890**

*The capital work in progress relates to the ongoing projects of branch renovations, network equipments and ongoing security system projects. No property and equipment of the Group and Bank has been pledged as security for liabilities.

**The adjustment relates to the depreciation of the leasehold rights where NMB Bank's headquarters are located which was not previously depreciated.

24. PROPERTY AND EQUIPMENT (CONTINUED)

(a) GROUP (CONTINUED)

Year ended 31 December 2020	Own building TZS Milions	Leasehold improvement TZS Milions	Motor vehicles TZS Milions	Computers, furniture and equipment TZS Milions	Capital work in progress* TZS Millons	Total TZS Milllions
COST						
At 1 January 2020	158,036	67,502	18,661	217,139	356	461,694
Additions	1,267	1,514	225	10,100	5,649	18,755
Transfers	(5,408)	7,868	-	984	(3,444)	-
Transfer from prepayments	-	-	1,243	2,927	-	4,170
Disposal	-	-	(26)	(3,720)	-	(3,746)
At 31 December 2020	**153,895**	**76,884**	**20,103**	**227,430**	**2,561**	**480,873**
DEPRECIATION						
At 1 January 2020	37,405	30,630	15,530	138,962	-	222,527
Charge for the year	6,459	9,370	1,959	28,581	-	46,369
Disposal	-	-	(20)	(3,718)	-	(3,738)
At 31 December 2020	**43,864**	**40,000**	**17,469**	**163,825**	-	**265,158**
NET BOOK VALUE						
At 31 December 2020	**110,031**	**36,884**	**2,634**	**63,605**	**2,561**	**215,715**

The capital work in progress relates to the ongoing projects of branch remodelling. No property and equipment of the Group and Bank has been pledged as security for liabilities.

24. PROPERTY AND EQUIPMENT (CONTINUED)

(b) BANK

Year ended 31 December 2021	Own building TZS Milions	Leasehold improvement TZS Milions	Motor vehicles TZS Milions	Computers, furniture and equipment TZS Milions	Capital work in progress* TZS Millons	Total TZS Millions
COST						
At 1 January 2021	110,875	76,884	20,103	227,430	2,561	437,853
Additions	603	750	543	6,914	2,476	11,286
Transfers from WIP	590	1,023	-	1,487	(3,100)	-
Transfer from prepayments	-	-	992	8,836	-	9,828
Reclassification	(21,818)	21,818	-	-	-	-
Disposal	-	-	-	(1,422)	-	(1,422)
At 31 December 2021	**90,250**	**100,475**	**21,638**	**243,245**	**1,937**	**457,545**
DEPRECIATION						
At 1 January 2021	34,997	40,000	17,469	163,825	-	256,291
Charge for the year	5,138	7,854	1,548	27,018	-	41,558
Reclassification	(4,520)	4,599	-	-	-	79
Disposal	-	-	-	(1,421)	-	(1,421)
At 31 December 2021	**35,615**	**52,453**	**19,017**	**189,422**	**-**	**296,507**
NET BOOK VALUE						
At 31 December 2021	**54,635**	**48,022**	**2,621**	**53,823**	**1,937**	**161,038**

The capital work in progress relates to the ongoing projects of branch renovations, network equipment and ongoing security system projects. No property and equipment of the Group and Bank has been pledged as security for liabilities.

24. PROPERTY AND EQUIPMENT (CONTINUED)

(b) BANK (CONTINUED)

Year ended 31 December 2020	Own building	Leasehold improvement	Motor vehicles	Computers, furniture and equipment	Capital work in progress*	Total
	TZS Milions	TZS Milions	TZS Milions	TZS Milions	TZS Millons	TZS Milllions
COST						
At 1 January 2020	115,016	67,502	18,661	217,139	356	418,674
Additions	1,267	1,514	225	10,100	5,649	18,755
Transfers	(5,408)	7,868	-	984	(3,444)	-
Transfer from prepayments	-	-	1,243	2,927	-	4,170
Disposal	-	-	(26)	(3,720)	-	(3,746)
At 31 December 2020	**110,875**	**76,884**	**20,103**	**227,430**	**2,561**	**437,853**
DEPRECIATION						
At 1 January 2020	30,508	30,630	15,530	138,962	-	215,630
Charge for the year	4,489	9,370	1,959	28,581	-	44,399
Disposal	-	-	(20)	(3,718)	-	(3,738)
At 31 December 2020	**34,997**	**40,000**	**17,469**	**163,825**	**-**	**256,291**
NET BOOK VALUE						
At 31 December 2020	**75,878**	**36,884**	**2,634**	**63,605**	**2,561**	**181,562**

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.

25. INTANGIBLE ASSETS (GROUP AND BANK)

2021	Computer Software TZS Millions	Work in progress TZS Millions	TOTAL TZS Milions
COST			
At 1 January	76,710	1,132	77,842
Additions	2,374	6,778	9,152
Transfer	472	(472)	-
Transfer from prepayments	184	-	184
Adjustment	-	(679)	(679)
At 31 December	79,740	6,759	86,499
AMORTISATION			
At 1 January	63,944	-	63,944
Charge for the year	8,667	-	8,667
	72,611	-	72,611
Net book value	7,129	6,759	13,888

2020	Computer Software TZS Millions	Work in progress TZS Millions	TOTAL TZS Milions
COST			
At 1 January	72,202	1,706	73,908
Additions	2,115	2,210	4,325
Transfer from work in progress	2,784	(2,784)	-
Transfer from prepayment	(391)		(391)
At 31 December	76,710	1,132	77,842
AMORTISATION			
At 1 January	53,129	-	53,129
Charge for the year	10,815	-	10,815
	63,944	-	63,944
Net book value	12,766	1,132	13,898

The Software work in progress relates to costs towards developmen of new agency banking system, internet banking, Mkononi revamp, Micro lending and other small systems.

26. LEASES

(a) RIGHT-OF-USE ASSETS (GROUP)	2021 TZS Milions	2020 TZS Milions
At start of the year	28,850	29,421
Additions	6,853	14,105
Modification	471	-
Termination	-	(3,552)
Amortisation charge	(9,420)	(11,124)
At the end of the year	26,754	28,850
(b) RIGHT-OF-USE ASSETS (BANK)		
At start of the year	70,027	162,184
Additions	6,853	55,282
Modification	460	-
Termination	-	(134,103)
Amortisation charge	(12,163)	(13,336)
At the end of the year	65,177	70,027
(c) LEASE LIABILITIES (GROUP)		
At start of the year	28,927	27,985
Additions	6,853	14,105
Modification	(1,010)	-
Finance cost	2,274	2,282
Revaluation gain/losses	41	(97)
Termination	-	(4,490)
Payment during the year	(9,824)	(10,858)
At the end of the year	65,177	70,027
Current	4,245	12,767
Non-current	23,016	16,160
	27,261	28,927
(d) LEASE LIABILITIES (BANK)		
At start of the year	70,104	156,030
Additions	6,853	55,282
Modification	(1,010)	-
Terminated	-	(139,370)
Finance cost	5,899	8,120
Revaluation gain/losses	41	900
Payment during the year	(14,745)	(10,858)
At the end of year	67,142	70,104
Current	9,177	17,689
Non-current	57,965	52,415
	67,142	70,104

26. LEASES (CONTINUED)

The statement of profit or loss shows the following amounts relating to leases	2021 TZS Milions	2020 TZS Milions
(e) GROUP		
Amortisation of right-of-use assets - Note 14 (a)	9,420	11,124
Finance cost – included as interest expense - Note 8(a)	2,274	2,282
Expense relating to short-term leases - Note 13 (a)	230	968
Gain on modification – Note 26(c), Note 26(a)	1,481	-
Foreign exchange gain/(loss) on leases liability – Note 26 (c)	41	(97)
	13,446	14,277
(f) BANK		
Amortisation of right-of-use assets - Note 14 (b)	12,163	13,336
Finance cost – included as interest expense - Note 8(b)	5,899	8,120
Expense relating to short-term leases - Note 13 (b)	230	968
Gain on modification – Note 26(c), Note 26(a)	1,470	-
Foreign exchange gain/(loss) on leases liability – Note 26 (c)	41	900
	19,803	23,324

All leases relate to building properties used as office, branch or ATM outlets. Total cash flow for leases in 2021 for Group and Bank amounted to TZS 9,824 million (TZS 10,858 million) and TZS 14,745 million (2020: TZS 10,858 million) respectively. During the year there was addition of TZS 6,853 for the Group and Bank respectively.

27. DEFERRED TAX

(a) DEFERRED INCOME TAX ASSETS (GROUP AND 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:

	2021 TZS Milions	2020 TZS Milions
At start of year	**85,610**	77,084
Credit/(Debit) to profit or loss:		
In respect to current year (Note 15(b))	**6,779**	9,972
In respect of prior year: (Under)/Over provision (Note 15(b))	**1,312**	(1,714)
Credit/(Debit) to OCI:		
In respect of current year	**98**	268
At the end of year	**93,799**	85,610

Deferred income tax asset and deferred income tax credit to the profit or loss are attributed to the following items:

Year ended 31 December 2021	1 January TZS Millions	Credited to profit or loss in respect of: Current year TZS Millions	Prior years TZS Millions	Credited/ (Charged) to OCI TZS Millions	31 December TZS Millions
Impact to profit and loss					
Property and equipment	10,004	2,883	(75)	-	12,812
Provisions for loan impairment	56,743	5,975	274	-	62,992
Other provisions	14,847	3,003	-	-	17,849
Other temporary differences	(142)	(660)	1,113	-	312
Impact to reserve					
Fair valuation gain – equity	(354)	-	-	-	(354)
Fair valuation gain – debt	90	-	-	98	188
Provisions - IFRS 9 adjustment	4,422	(4,422)	-	-	-
	85,610	6,779	1,312	98	93,799

Year ended 31 December 2020	1 January TZS Millions	Current year TZS Millions	Prior years TZS Millions	Credited/ (Charged) to OCI TZS Millions	31 December TZS Millions
Deferred income tax asset					
Impact to profit and loss					
Property and equipment	8,197	1,807	-	-	10,004
Provisions for loan impairment	47,511	10,946	(1,714)	-	56,743
Other provisions	16,469	(1,622)	-	-	14,847
Other temporary differences	1,017	(1,159)	-	-	(142)
Impact to reserve					
Fair valuation gain – equity	(354)	-	-	-	(354)
Fair valuation gain – debt	(178)	-	-	268	90
Provisions - IFRS 9 adjustment	4,422	-	-	-	4,422
	77,084	9,972	(1,714)	268	85,610

27. DEFERRED TAX

(b) DEFERRED TAX LIABILITY (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:

The details of deferred income tax are as follows:	2021 TZS Milions	2020 TZS Milions
Investment property	858	295
Unrealised foreign exchange loss	-	-
Deferred tax liability recognized	858	295

Deferred income tax liability and deferred income tax credit to the profit or loss are attributed to the following items:

Year ended 31 December 2021	As 1 January	Charged to profit or loss	At 31 December
Investment property	295	563	858
Unrealised foreign exchange loss	-	-	-
Total	295	563	858
Year ended 31 December 2020			
Investment property	295	-	295
Unrealised foreign exchange loss	-	-	-
Total	295	-	295

REPORT OF THE DIRECTORS

28. DEPOSITS FROM CUSTOMERS

(a) GROUP

	2021 TZS Milions	2020 TZS Milions
Deposits due to customers are composed of the following;		
Current accounts	2,766,603	1,956,663
Personal accounts	3,001,462	2,506,956
Time deposit accounts	894,824	861,831
	6,662,889	5,325,450
Current	5,890,515	4,631,371
Non-current	772,374	694,079
	6,662,889	5,325,450

(b) BANK

	2021 TZS Milions	2020 TZS Milions
Current accounts	2,767,977	1,956,668
Personal accounts	3,001,462	2,506,956
Time deposit accounts	894,824	861,831
	6,664,263	5,325,455
Current	5,884,714	4,631,376
Non-current	779,549	694,079
	6,664,263	5,325,455

29. DEPOSITS DUE TO OTHER BANKS (GROUP AND BANK)

	2021 TZS Milions	2020 TZS Milions
Deposits from other banks	408	131,224
Current	408	131,224

30. OTHER LIABILITIES

(a) GROUP

	2021 TZS Milions	2020 TZS Milions
Accrued expenses	12,898	26,702
Bonus payable	13,150	8,745
Deferred processing fees	40,320	34,809
Bills payable	2,178	2,118
Statutory liabilities	25,205	16,863
Provisions for TRA assessments	10,957	8,131
Insurance premium payable	4,772	5,288
Commission payable to NMB agents	4,268	3,013
Cheques and items for clearance	15,556	3,251
Provisions	2,173	2,303
Commission received in advance; LCs and Guarantees	1,704	1,410
Sundry liabilities	6,571	4,172
Impairment provision for off-balance sheet items (Note 6.1.5e)	163	74
Total	139,915	116,879
Non-current	110,171	112,509
Current	29,744	4,370
	139,915	116,879

30. OTHER LIABILITIES (CONTINUED)

(b) BANK	2021 TZS Milions	2020 TZS Milions
Accrued expenses	12,898	26,702
Bonus payable	13,150	8,745
Deferred processing fees	40,320	34,809
Bills payable	2,178	2,118
Statutory liabilities	25,205	16,863
Provisions for TRA assessments	10,957	8,131
Insurance premium payable	4,772	5,288
Commission payable to NMB agents	4,268	3,013
Cheques and items for clearance	15,556	3,251
Provisions	2,173	2,303
Commission received in advance; LCs and Guarantees	1,704	1,410
Sundry liabilities	10,258	4,172
Impairment provision for off-balance sheet items(Note 6.1.5e)	163	74
Total	143,602	116,879
Current	105,862	30,439
Non-current	37,740	86,230
	143,602	116,669

31. PROVISIONS (GROUP AND BANK)

Provision for losses from legal cases	1,309	971
Movement in provision		
At the start of year	971	2,230
Charged/(Released) during the year	338	(1,259)
	1,309	971

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 2021.

32. BORROWINGS (GROUP AND BANK)

	2021 TZS Milions	2020 TZS Milions
Borrowings:		
- EIB Loan (i)	1,575	6,889
- FMO Loan (ii)	11,540	39,593
- Triodos (iii)	5,666	16,999
- NMB Bond (iv)	83,349	83,349
- TMRC (v)	11,700	11,700
- IFC (vi)	304,430	90,758
Accrued interest	4,930	3,427
	423,190	252,715
Current	380,251	93,780
Non-current	42,939	158,935
	423,190	252,715

As at 31 December 2021, the Group had no borrowing at default and there was no breach of covenants. All USD LIBOR priced borrowings expires before 30th June 2023 hence there shall be no transition of interest rate benchmark.

(i) European Investment Bank (EIB) loan

The Bank had two loans, one denominated in TZS and another in USD.

As at 31 December 2021, the Bank had a total balance of TZS 1,575 million (2020: TZS 6,889 million).

The TZS denominated balance amounted to TZS 1,575 (2020: TZS 5,518). It is payable semi-annually within seven years at effective interest rate of 9.31% (2020: 8.43%).

Also, as at 31 December 2021, the Bank balance of USD denominated borrowing had a balance of USD Nil (2020: USD 636,170) equivalent to TZS Nil (2020: TZS 1,371 million). The USD portion was fully paid in 2021.The effective interest rate of the loan during the year was 3.42% (2020: 3.42%). Both loans were taken for the purpose of better assets liability management and were unsecured.

As at 31 December 2021, the Bank was compliant with all the lender's covenants.

(ii) Financierings-Maatschappij voor Ontwikkelingslanden N.V (FMO) loan

In 2015, the Bank obtained 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 3.8%, during the year. The loan was fully paid in 2021 (2020: USD 7 million equivalent to TZS 16,442 million).

Moreover in 2016, 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 3.8%, during the year. The outstanding balance as at 31 December 2021 was USD 5 million equivalent to TZS 11,540 million (2020: USD 10 million equivalent to TZS 23,151 million).

As at 31 December 2021, the Bank was compliant with all the lender's covenants.

32. BORROWINGS (GROUP AND BANK) (CONTINUED)

(iii) Triodos B.V.

In 2019, 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 and liability management. The loan is unsecured. As at 31 December 2021 the balance was TZS 5,666 million (2020: TZS 16,999 million).

As at 31 December 2021, 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 8 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.

The bond is unsecured and are tradable on the Dar es Salaam Stock Exchange (DSE).

The proceeds of the bond issue was 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 2021, TZS 53,155 million on the Medium Term Note (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.

(v) Tanzania Mortgage Refinance Company Limited

As at 31 December 2021 the balance was TZS 11.7 billion (2020: TZS 11.7 billion). The balance was made up of three trenches which were taken to finance the portfolio of mortgage loans and all trenches were renewable.

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. The loan renuewable in 2020 at a fixed price of 7.5%.

In 2018, 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 loan renuewable in 2021 at a fixed price of 7.5%.

32. BORROWINGS (GROUP AND BANK) (CONTINUED)

(v) Tanzania Mortgage Refinance Company Limited (continued)

In 2019 the Bank secured additional TZS 5 billion loan with3-year tenor at a fixed interest rate of 9%. The loan is secured by a portfolio of treasury bonds with a coverage ratio of at least 105.3% The loan renewable in 2022 at a fixed price of 7.5%.

(vi) International Finance Corporation (IFC)

In 2020, the Bank obtained unsecured loan of TZS 50 Billion repayable semi-annually within five to six years and carries a fixed rate. The effective interest rate was 10.5%, during the year. The outstanding balance as at 31 December 2021 was TZS 50 billion.

During the year 2021, the Bank obtained two short-term loans from IFC amounting to USD 110 million in USD and TZS repayable in 2022 in one bullet or can be rolled over. The USD tranche amounting to USD 60 Million carries a floating rate based on six months LIBOR rate. The effective interest rate during the year was 1.7%. The TZS tranche amounting to TZS 115.95 Billion carries a fixed rate of 9.65%. The effective interest rate during the year was 9.65%

The loans were taken for better Assets Liability management. The loan is unsecured.

As at 31 December 2021, total balance for all loans amounted to TZS 304,430 million (2020: TZS 90,758 million) the Bank was compliant with all the lenders covenants.

Movement of borrowings during the year was as follows:	2021 TZS Milions	2020 TZS Milions
At 1 January	252,715	276,445
Interest expense	32,803	31,664
Additions	255,190	50,000
Interest paid	(30,576)	(32,582)
Principal payment	(85,398)	(73,857)
Foreign exchange (gain)/loss	(1,544)	1,045
At 31 December	423,190	252,715

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 2021 the balance was TZS 68,190 million (2020: TZS 68,190 million).

As at 31 December 2021, the Bank was compliant with all the lender's covenants.

	2021 TZS Milions	2020 TZS Milions
Principal	68,190	68,190
Accrued interest	2,835	2,835
	71,025	71,025
Current	2,835	2,835
Non-current	68,190	68,190
Movement of subordinated loan during the year was as follows:		
At 1 January	71,025	70,998
Interest expense	9,669	9,696
Interest paid	(9,669)	(9,669)
At 31 December	71,025	71,025

34. NET DEBT ANALYSIS

	GROUP		BANK	
	2021 TZS Milions	2020 TZS Milions	2021 TZS Milions	2020 TZS Milions
Cash and cash equivalents	1,406,497	907,029	1,406,497	907,029
Borrowings repayable within one year	(256,413)	(96,615)	(256,413)	(98,336)
Borrowings repayable after one year	(237,802)	(227,125)	(237,802)	(225,404)
Lease liabilities due after 1 year	(23,016)	(16,160)	(57,965)	(57,336)
Lease liabilities due within 1 year	(4,245)	(12,767)	(9,177)	(12,767)
Net debt	885,021	554,362	845,140	513,185
Cash and cash equivalent	1,406,497	907,029	1,406,497	907,029
Growth dept - fixed interest rate	(371,349)	(270,460)	(411,230)	(192,585)
Growth dept - variable interest rate	(150,127)	(82,207)	(150,127)	(130,233)
Net debt	885,021	554,362	845,140	513,185

The movement of the individual components is available in Note 26, Note 32, Note 33 and the statement of cash flows.

35. CAPITAL AND RESERVES

	2021 TZS Milions	2020 TZS Milions
(i) Share capital		
Authorised		
625,000,000 ordinary shares of TZS 40 each	25,000	25,000
Called up and fully paid		
Non-current	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) Fair valuation reserve

The reserve is made up of fair valuation of financial assets and liabilities.
This reserve is not available for distribution to shareholders.

Movement in fair valuation reserve is as follows:	2021 TZS Milions	2020 TZS Milions
At 1 January		
- As previously stated	792	1,049
Fair valuation gain	(326)	(525)
Deferred tax on fair valuation gain	98	268
	(228)	(257)
At 31 December	564	792

There was no reclassification adjustment made in respect to components of other comprehensive income.

36. CASH AND CASH EQUIVALENTS (GROUP AND BANK)

	2021 TZS Milions	2020 TZS Milions
Cash and balances with Bank of Tanzania (Note 18)	1,484,029	1,047,488
Less: Statutory Minimum Reserves (Note 18)	(436,753)	(328,018)
Placement and balances with other banks (Note 19)	337,255	170,829
Balances with Mobile network operators	21,966	16,730
	1,406,497	907,029

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	2021 TZS' Millions	2020 TZS' Millions
Operating activities			
Profit before tax		418,025	301,280
Adjustment for:			
Depreciation and amortization	14	61,755	68,308
Gain on modification of lease	26	(1,481)	-
Profit on disposal of property and equipment	11	(12)	(159)
Realised gain on government security-FVOCI	21(b)	(2,726)	(3,107)
Gain on termination of lease liability	26(c)	-	(938)
Foreign exchange gain/(loss) on leases liability	26(c)	41	(97)
Interest income from government security available for sale	21(b)	(3,567)	(3,828)
Interest income from government security amortised at cost	21(a)	(128,928)	(103,316)
Interest expense on lease	26(c)	2,274	2,282
Interest expense on borrowings	32	32,803	31,691
Foreign exchange (loss)/gain on borrowings	32	(1,544)	1,045
Effect of movement in foreign exchange		(5,712)	11,944
		370,928	408,421
Movement in operating assets:			
- Statutory Minimum Reserve		(108,735)	64,078
- Loans and advances to customers		(545,144)	(518,783)
- Other assets		(51,079)	16,353
- Deposits from customers		1,337,439	408,899
- Deposits due to other banks		(130,816)	97,778
- Other liabilities		23,038	8,573
- Provisions	31	338	(1,259)
Other operating activities			
- Proceeds from government securities		591,380	403,467
- Investment in government securities		(871,111)	(830,915)
- Proceeds from available for sale government security		111,714	156,934
- Proceeds from government securities at FVOCI		(132,115)	(162,459)
Cash generated from / (used in) operations		595,837	(52,229)

37. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(b) BANK

	Note	2021 TZS' Millions	2020 TZS' Millions
Operating activities			
Profit before tax		413,887	295,743
Adjustment for:			
Depreciation and amortization	14	62,467	68,550
Gain on modification of lease contract	26(b,d)	(1,470)	-
Profit on disposal of property and equipment	11	(12)	(159)
Realised gain on government security available for sale	21(b)	(2,726)	(3,107)
Gain on termination of lease liability	26(d)	-	(5,267)
Interest income on government security available for sale	21(b)	(3,567)	(3,828)
Interest income on government security amortised at cost	21(a)	(128,928)	103,316
Interest expense on lease	26(d)	5,899	8,120
Interest expense on borrowings	26(d)	32,803	31,691
Foreign exchange (loss)/gain on borrowings	32	(1,544)	1,045
Foreign exchange loss on leases liability	32	41	900
Effect of movement in foreign exchange		(5,712)	11,944
		371,138	302,316
Movement in operating assets:			
- Statutory Minimum Reserve		(108,735)	64,078
- Loans and advances to customers		(544,673)	(513,572)
- Other assets		(53,811)	17,399
- Deposits from customers		1,338,808	403,177
- Deposits due to other banks		(130,816)	97,778
- Other liabilities		26,933	9,773
- Provisions	31	338	(1,259)
Other operating activities			
- Proceeds from government securities		591,380	403,467
- Investment in government securities		(871,111)	(830,915)
- Investment in government securities at FVOCI		111,714	156,934
- Proceeds from government securities at FVOCI		(132,115)	(162,459)
Cash generated from / (used in) operations		599,050	(53,283)

38. (a) FINANCIAL INSTRUMENTS BY CATEGORY (GROUP)

As at 31 December 2021	Amortised Cost TZS' Millions	Fair Value through OCI TZS' Millions	TOTAL TZS' Millions
Financial assets			
Cash and balances with Bank of Tanzania	1,484,029	-	1,484,029
Investment securities – at amortised cost	1,683,950	-	1,683,950
Investment securities – FVOCI	-	55,330	55,330
Placement and balances with other banks	337,255	-	337,255
Loans and advances to customers	4,653,933	-	4,653,933
Equity investments	-	2,920	2,920
Other assets (excluding non-financial assets)*	97,683	-	97,683
	8,256,850	58,250	8,315,100
As at 31 December 2020			
Financial assets			
Cash and balances with Bank of Tanzania	1,047,488	-	1,047,488
Investment securities – at amortised cost	1,275,291	-	1,275,291
Investment securities – FVOCI	-	28,962	28,962
Placement and balances with other banks	170,829	-	170,829
Loans and advances to customers	4,108,789	-	4,108,789
Equity investments	-	2,920	2,920
Other assets (excluding non-financial assets)*	43,227	-	43,227
	6,645,624	31,882	6,677,506

Financial liabilities at amortised cost	2021 TZS Milions	2020 TZS Milions
Deposits from customers	6,662,889	5,325,450
Deposits from banks	408	131,224
Borrowings	423,190	252,715
Subordinated debt	71,025	71,025
Lease liabilities	27,261	28,927
Other liabilities (excluding non-financial other liabilities)**	46,147	60,226
	7,230,920	5,869,567

* Prepayments, inventory, provision for other assets and stationery are excluded from other assets balance, as this analysis is for financial instruments only.

** Non-financial liabilities such as provision and statutory liabilities are excluded from other liabilities balance, as this analysis is for financial instruments only.

38. (a) FINANCIAL INSTRUMENTS BY CATEGORY (BANK)

As at 31 December 2021	Amortised Cost TZS' Millions	Fair Value through OCI TZS' Millions	TOTAL TZS' Millions
Financial assets			
Cash and balances with Bank of Tanzania	1,484,029	-	1,484,029
Investment securities at amortised cost	1,683,950	-	1,683,950
Investment securities at FVOCI	-	55,330	55,330
Placement and balances with other banks	337,255	-	337,255
Loans and advances to customers	4,653,945	-	4,653,945
Equity investments	-	2,920	2,920
Other assets (excluding non-financial assets)*	96,482	-	96,482
	8,255,661	58,250	8,313,911
31 December 2020			
Financial assets			
Cash and balances with Bank of Tanzania	1,047,488	-	1,047,488
Investment securities at amortised cost	1,275,291	-	1,275,291
Investment securities at FVOCI	-	28,962	28,962
Placement and balances with other banks	170,829	-	170,829
Loans and advances to customers	4,109,260	-	4,109,260
Equity investments	-	2,920	2,920
Other assets (excluding non-financial assets)*	43,227	-	43,227
	6,646,095	31,882	6,677,977

Financial liabilities at amortised cost	2021 TZS Milions	2020 TZS Milions
Deposits from customers	6,664,263	5,325,455
Due from banks	408	131,224
Borrowings	423,190	252,715
Subordinated debt	71,025	71,025
Lease liabilities	67,142	70,104
Other liabilities (excluding non-financial other liabilities)**	46,147	60,226
	7,272,175	5,910,750

* Prepayments, inventory, provision for other assets and stationery are excluded from other assets balance, as this analysis is for financial instruments only.

** Non-financial liabilities such as provision and statutory 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 2021, the Bank had the contractual amounts of off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities, as follows:

Commitments	2021 TZS Milions	2020 TZS Milions
Guarantees and Indemnities	229,577	238,671
Undrawn Commitments	246,563	120,065
Acceptances and letters of credit	757,621	266,145
	1,233,761	624,881

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.

(c) Capital commitments

As at 31 December 2021, the Bank had capital commitments of TZS 57,152 million (2020: TZS 36,280 million) in respect of new branches, branch remodelling, equipment and information technology. The expenditure contracted as at the end of reporting period but not yet incurred is as follows:

	2021 TZS Milions	2020 TZS Milions
Information technology	43,141	26,244
Branch and business centres remodelling	6,225	4,449
Others including equipment, vehicles and furniture	7,786	5,587
	57,152	36,280

(d) Lease commitments

As at 31 December 2021, the Group and Bank had short term lease commitments of TZS 401 millions (2020: TZS 171 million).

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 December2021 were as follows:

	2021 %	2020 %
Government securities	7.62	8.40
Deposits with banking institutions	0.13	1.33
Loans and advances to customers	14.54	14.69
Customer deposits	1.50	2.00
Deposits from banks	4.99	0.13
Borrowings	6.75	10.11

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 2021 there were no loans issued to companies controlled by the Directors or their families. Advances to customers at 31 December 2021 include loans to key management personnel and related entities as follows:

GROUP	2021 TZS Milions	2020 TZS Milions
Key management personnel		
At start of year	3,121	2,363
Advanced during the year	2,871	6,225
Repaid during the year	(2,192)	(5,467)
At end of year	3,800	3,121
Interest income earned	273	231

41 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Loans and advances to related parties (continued)

BANK	Key Management Personnel and Non-Executive Directors		Related Companies	
	2021 TZS Milions	2020 TZS Milions	2021 TZS Milions	2020 TZS Milions
At start of year	3,121	2,363	471	5,682
Advanced during the year	2,871	6,225	-	-
Repaid during the year	(2,192)	(5,467)	(471)	(5,211)
Net debt	3,800	3,121	-	471
Interest income earned	273	231	30	329

The amount of related party transactions include loans advanced to Senior Management and Non-Executive Directors. Provision recognized in respect of loans given by the Group and Bank to key management personnel amounted to TZS 45 million (2020: TZS 35.6 million). Mortgage loans issued to key management were secured and the rest were unsecured. The loans advanced to Senior Management carry off-market interest rates ranging between 5% and 9% while, those advanced to Non-Executive Directors carry commercial interest rates (market rates). As at 31 December 2021, the Group and Bank held collateral valued at TZS 2,510 million (2020: TZS 1,890 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, there was no outstanding loan balance as the loan was fully repaid during the year (2020: TZS 471 million equivalent to USD 0.2 million).

(b) Deposits from related parties

	Directors and key Management personnel	
GROUP	2021 TZS Milions	2020 TZS Milions
Deposits at the beginning of the year	331	556
Deposits received during the year	8,087	4,766
Deposits repaid during the year	(8,112)	(4,991)
Deposits as at the end of the year	306	331
Interest expense	5	7

41 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

b) Deposits from related parties (continued)

BANK	Directors and Key Management Personnel		Related Companies	
	2021 TZS Milions	2020 TZS Milions	2021 TZS Milions	2020 TZS Milions
Deposits at the beginning of the year	331	556	5	5,760
Deposits received during the year	8,087	4,766	5,816	-
Deposits repaid during the year	(8,112)	(4,991)	(4,454)	(5,755)
Deposits as at the end of the year	306	331	1,367	5
Interest expense	5	7	-	-

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 1,942 million (2020: TZS 256 million) was paid to Rabobank during the year as management and technical assistance expenses. Management fees payable as at year-end was TZS 295 million (2020: TZS 495 million).

Nostro balances with Rabobank at year-end amounted to TZS 31,646 million (2020: TZS 9,673 million). There was no inter-bank balance due to Rabobank as at year-end. The Bank did not incur any expenses which were refundable from Rabobank (2020: Nil).

(d) Transactions and balances with Upanga Joint Venture (BANK)

During the year, the Bank incurred operating lease expenses amounting to TZS 5 billion (2020: TZS 6 billion) to Upanga Joint Venture Limited. As at 31 December 2021, the Bank had no prepaid rent (2020: Nil). The management of the Bank also received the management fee amounting to TZS 27.65 million (2020: TZS 27.65 million). As at 31 December the balance payable to the Bank for the management fee amounted to TZS 110.59 million (2020: TZS 82.94 million).

The bank occasionally settles expenses of Upanga Joint Venture Limited on their behalf. As at 31 December 2021, amount receivable by the bank from its subsidiary totalled TZS 1.4 billion (2020: TZS 1.4 billion) whereas ECL was TZS 222 million (2020: TZS 143 million).

41 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(e) Key management compensation

(GROUP AND BANK)	2021 TZS Milions	2020 TZS Milions
Salaries and other short-term benefits	5,856	5,248
Post-employment benefits - defined contribution plan	629	507
	6,485	5,755

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% (2020: 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 1,739,280 million (2020: TZS 1,304,253 million). Interest earned from investment in government securities during the year was TZS 132,495 million (2020: TZS 107,144 million), Service fee earned from the government due to transactional services performed amounted to TZS 743 million (2020: TZS 1,851 million). For balances outstanding as at 31 December 2021 and 31 December 2020, ECL stood at TZS 1,681 million (2020: TZS 951 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 598 million (2020: TZS 316 million). Details of payment to individual directors will be tabled at the annual general meeting.

42 COMPARATIVES RECLASSIFICATIONS

During the current year the following reclassifications which did not have impact on prior year profit were made to the prior year comparatives of financial statements so as to align the prior year numbers to classifications of the current year.

Financial element affected	2020 TZS Milions	2021 TZS Milions	Changes TZS Milions	Reason of reclassification
Statement of financial position (Group)				
Deferred income tax asset	84,724	85,019	(295)	Showing separately the deferred tax asset and deferred tax liability instead of netting off as it presented in the prior year
Deferred income tax liability	-	(295)	295	
Net effect	84,724	84,724	-	
Profit or loss and other comprehensive income (Group)				
Other operating expenses	158,029	140,386	17,643	Combining the other employee costs previously recorded as part of other operating expenses together with other employee benefits expense
Employee benefit expenses	195,515	210,174	(14,659)	
Fee and commission expense	58,412	61,396	(2,984)	Reclassifying the fees and commission expenses used in generating fees and commission income from other operating expenses
Net effect	411,956	411,956	-	
Profit or loss and other comprehensive income (Bank)				
Other operating expenses	157,814	140,171	17,643	Combining the other employee costs previously recorded as part of other operating expenses together with other employee benefits expense
Employee benefit expenses	195,515	210,174	(14,659)	
Fee and commission expense	58,412	61,396	(2,984)	Reclassifying the fees and commission expenses used in generating fees and commission income from other operating expenses
Net effect	411,741	411,741	-	

43 BANCASSURANCE

The revenue generated from bancassurance services for the year ended 31 December 2021 amounted to TZS 4,186 million (2020: TZS 1,812 million) while costs incurred amounted to TZS 66 million (2020: TZS 215 million) resulting to the net income of TZS 4,120 million (2020: TZS 1,597 million). The performance of bancassurance for the Group and Bank has been included as part of net fees and commission income in note 10.

44 EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period that had material impact to the consolidated and Bank financial statements.

COMPANY INFORMATION

NOTICE OF THE 22ND ANNUAL GENERAL MEETING OF THE MEMBERS OF NMB BANK PLC

Notice is hereby given that the 22nd Annual General Meeting of NMB Bank Plc shareholders will be held at the Julius Nyerere International Convention Centre in Dar es Salaam on Friday, 3rd June, 2022 at 10.00 a.m. The agenda will be as follows:

22.1 NOTICE AND QUORUM

22.2 ADOPTION OF THE AGENDA

22.3 CONFIRMATION OF THE MINUTES OF THE 21st ANNUAL GENERAL MEETING HELD ON 4th JUNE 2021

22.4 MATTERS ARISING FROM THE PREVIOUS MINUTES

22.5 TO RECEIVE, CONSIDER AND ADOPT THE DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED 31st DECEMBER 2021

22.6 DIVIDEND DECLARATION FOR THE FINANCIAL YEAR 2021

22.7 TO RECEIVE AND APPROVE THE PROPOSAL FOR DIRECTORS' REMUNERATION

22.8 RESIGNATION AND APPOINTMENT OF DIRECTORS

22.9 TO RECEIVE AND APPROVE APPOINTMENT OF EXTERNAL AUDITORS FOR THE FINANCIAL YEAR 2022

22.10 ANY OTHER BUSINESS

IMPORTANT NOTES:

1. Members wishing to attend the meeting must come with 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 not later than 10.00 am Thursday, 2nd June 2022.

3. Members wishing to attend the meeting will have to attend at their own cost. Copies of annual report and proxy forms will be available in NMB branches.

4. Directors propose payment of a dividend of TZS 193 per share, amounting to TZS 96.7 billion out of 2021 profit.

Date of announcement of results:	-	13th May 2022
Shares trading cum div:	-	13th May 2022
Last day of trading cum-dividend:	-	1st June 2022
Shares start trading ex-div:	-	2nd June 2022 onwards
Register Closing Date (Books Closure Date)	-	6th June 2022
Payment of dividend:	-	15th June 2022

By order of the Board.

Lilian R. Komwihangiro
Company Secretary
May 13th, 2022

Key Contacts

NMB Head Office

Ohio / Ali Hassan Mwinyi Road
P.O. Box 9213, Dar es Salaam
Tel: (General): +255 222322000
Fax: +255 222112148

INVESTOR RELATIONS
P.O. Box 9213, Dar es Salaam
Tel: (General): +255 222322000
Email: investorrelations@nmbbank.co.tz

Retail Banking

BUSINESS BANKING
P.O. Box 9213, Dar es Salaam
Tel: (General): +255 22 2322000

PERSONAL BANKING
P.O. Box 9213, Dar es Salaam
Tel: (General) : +255 22 2322000

PRODUCTS & CHANNELS
P.O. Box 9213, Dar es Salaam
Tel: (General): +255 22 2322000

BANCASSURANCE
P.O. Box 9213, Dar es Salaam
Tel: (General): +255 22 2322000

AGRI-RETAIL
P.O. Box 9213, Dar es Salaam
Tel: (General): +255 22 2322000

CARD BUSINESS
P.O. Box 9213, Dar es Salaam
Tel: (General): +255 22 2322000

PRIVATE BANKING
P.O. Box 9213, Dar es Salaam
Tel: (General): +255 22 2322000

Wholesale Banking

GOVERNMENT BUSINESS
P.O. Box 9213, Dar es Salaam
Tel: (General): +255 22 2322000

INSTITUTIONAL BANKING
P.O. Box 9213, Dar es Salaam
Tel: (General): +255 22 2322000

TRANSACTIONAL BANKING
P.O. Box 9213, Dar es Salaam
Tel: (General): +255 22 2322000

CORPORATE BANKING
P.O. Box 9213, Dar es Salaam
Tel: (General): +255 22 2322000

AGRI-WHOLESALE
P.O. Box 9213, Dar es Salaam
Tel: (General): +255 22 2322000

Treasury

FOREIGN EXCHANGE
P.O. Box 9213, Dar es Salaam
Tel: (Direct): +255 22 2322020

MONEY MARKETS
P.O. Box 9213, Dar es Salaam
Tel: (Direct): +255 22 2322010

CUSTODY & ADVISORY
P.O. Box 9213, Dar es Salaam
Tel: (General): +255 22 2322000
Email:
advisoryservices@nmbbank.co.tz

Network Distribution

DSM Zone

Branch Name	Region	District	Street/ Road	Telephone
DSM Zone Office	Dar es Salaam	Ilala	Samora ave/Pamba road	022 2128685/4
Airport	Dar es Salaam	Ilala	Nyerere Road	022-232-4200
Bank House	Dar es Salaam	Ilala	Samora ave/Pamba Road	022-232-4128
Congo Street	Dar es Salaam	Ilala	Congo Street	022-232-4154
Gongo la Mboto	Dar es Salaam	Ilala	Nyerere Road	022-232-4160
Ilala	Dar es Salaam	Ilala	Uhuru road	022-232-4116
Kariakoo	Dar es Salaam	Ilala	Livingstone St	022-232-4112
Kariakoo Business Center	Dar es Salaam	Ilala	Mafia/Swahili street	
Kigamboni	Dar es Salaam	Kigamboni	Ferry street	022-232-4174
Kurasini	Dar es Salaam	Temeke	Engaruka	022-232-4166
Magomeni	Dar es Salaam	Kinondoni	Morogoro road	022-232-4108
Mandela Road	Dar es Salaam	Ilala	Mandela Rd, TOT Tabata area	022-232-4157
Mbagala	Dar es Salaam	Temeke	Kilwa road	022-232-4135
Mbezi	Dar es Salaam	Kinondoni	Bagamoyo Road	022-232-4163
Mbezi Louis	Dar es Salaam	Ubungo	Mbezi Louis area opp. Old Morogoro road	022-232-4212
Mlimani City	Dar es Salaam	Kinondoni	Sam Nujoma road	022-232-4120
Morogoro Road	Dar es Salaam	Ilala	Morogoro road/ Mshihiri	022-232-4104
Msasani	Dar es Salaam	Kinondoni	Kimweri Avenue	022-232-4190
Muhimbili	Dar es Salaam	Ilala	Kalenga	022-232-4141
Mwenge	Dar es Salaam	Kinondoni	Afrikasana road	022-232-4184
Ohio	Dar es Salaam	Ilala	Ohio/Ali Hassan Mwinyi	022-232-2726
Oysterbay	Dar es Salaam	Kinondoni	Haile Selassie/Ali bin Said road	022-232-4147
Sinza	Dar es Salaam	Kinondoni	Shekilango Road/Sinza Mori	022-232-4187
Tandika	Dar es Salaam	Temeke	Bus stand, Ugweno Street	022-232-4194
Tegeta	Dar es Salaam	Kinondoni	Bagamoyo Road	022-232-4132
Temeke	Dar es Salaam	Temeke	Temeke street/Mbagala road	022-232-4100
TPA Bandari	Dar es Salaam	Temeke	TPA, Mandela Rd	022-232-4126
Ubungo	Dar es Salaam	Kinondoni	Morogoro road	022-232-4203
University	Dar es Salaam	Kinondoni	University road	022-232-4168

Branch Name	Region	District	Street/ Road	Telephone
Bagamoyo	Pwani	Bagamoyo	Bank street	022-232-4267
Chalinze	Pwani	Bagamoyo	Chalinze-Dar RD, Chalinze area	022-232-4227
Kibaha	Pwani	Kibaha	Maili moja- mkoani	022-232-4261
Kibiti	Pwani	Rufiji	Lindi-kibiti rd	022-232-4273
Kisarawe	Pwani	kisarawe	Sokoni	022-232-4264
Mafia	Pwani	Mafia	Kilindoni	022-232-4197
Mkuranga	Pwani	Mkuranga	Bank street	022-232-4270
Mlandizi	Pwani	Kibaha	Morogoro road, Mlandizi stand	022-232-4276
Chakechake	Kusini Pemba	Chakechake	Msingini	022-232-4144
Mwanakwerekwe	Mjini Magharibi	Magharibi	Mwanakwerekwe street	022-232-4181
Zanzibar	Mjini Magharibi	Mjini	Darajani	022-232-4207

Central Zone

Branch Name	Region	District	Street/ Road	Telephone
Central Zone Office	Dodoma	Dodoma	PSPF building, 18 Jakaya Kikwete rd, adjacent to BOT	026 2322260
Bahi	Dodoma	Bahi	Mission street/Bahi Distr. Building	022-232-4054
Bunge	Dodoma	Dodoma	Parliament Grounds, Makole	022-232-4009
Chamwino	Dodoma	Chamwino	Chamwino Ikulu/Chamwino Distr. Building	022-232-4051
Dodoma	Dodoma	Dodoma	One Way / Kuu Street	022-232-4060
Kambarage	Dodoma	chamwino	PSPF building, 18 Jakaya Kikwete rd, adjacent to BOT	022-232-4072
Kibaigwa	Dodoma	Kongwa	Dodoma Highway	022-232-4018
Kondoa	Dodoma	Kondoa	Chem Chem	022-232-4024
Kongwa	Dodoma	Kongwa	Dodoma Road	022-232-4012
Makole Business Center	Dodoma	Dodoma	Kuu Street / Nyerere rd	022-232-4066
Mazengo	Dodoma	Dodoma	Kuu Street	022-232-4063
Mpwapwa	Dodoma	Mpwapwa	Post Offfice Area	022-232-4015
UDOM	Dodoma	Dodoma	Nyerere	022-232-4006

Branch Name	Region	District	Street/ Road	Telephone
Gairo	Morogoro	Gairo	Morogoro Road Gairo area	022-232-4279
Ifakara	Morogoro	Kilombero	Nduna street	022-232-4243
Kilombero	Morogoro	Kilosa	Kidodi	022-232-4240
Kilosa	Morogoro	Kilosa	Jamhuri	022-232-4252
Mahenge	Morogoro	Ulanga	Kilosa Rd	022-232-4246
Malinyi	Morogoro	Malinyi	Madaraka rd - Misegese area near Malinyi DC offices	022-232-4519
Mlimba	Morogoro	Kilombero/ Mlimba	Mlimba A, Kituo cha afya road	022-232-4294
Morogoro Business Center	Morogoro	Morogoro MC	Madaraka street Opp. Moro- goro MC building	022-232-4282
Mount Uluguru	Morogoro	Morogoro MC	Masika area	022-232-4237
Msamvu	Morogoro	Morogoro MC	LAPF Building /Msamvu Bus Terminal	022-232-4257
Mvomero	Morogoro	Mvomero	Dakawa	022-232-4255
SUA	Morogoro	Morogoro MC	SUA Main Campus - Adminis- trative area	022-232-4231
Turiani	Morogoro	Mvomero	Madizini	022-232-4249
Wami	Morogoro	Morogoro MC	Uhuru street	022-232-4231
Ikungi	Singida	Ikungi	Opp. Ikungi District council's building	022-232-4057
Itigi	Singida	Manyoni	Majengo	022-232-4027
Kiomboi	Singida	Iramba	Karume/Thomas Mussa	022-232-4048
Manyoni	Singida	Manyoni	Kipondoa Dodoma - Singida Rd	022-232-4045
Mitundu	Singida	Manyoni - Itigi	Mitundu bus stand	022-232-4029
Mkalama	Singida	Mkalama	Nduguti	022-232-4069
Singida	Singida	Singida MC	Majengo/Karume Road	022-232-4042
Babati	Manyara	Babati TC	Police Line	022-232-4003
Haydom	Manyara	Mbulu	Hydom Old bus stand street	022-232-4033
Katesh	Manyara	Hanang	Machakos	022-232-4039
Kibaya	Manyara	Kiteto	Bomani	022-232-4021
Mbulu	Manyara	Mbulu	Karatu Road	022-232-4030
Mirerani	Manyara	Simanjiro	Kisimani opp police station	022-232-4751
Simanjiro	Manyara	Simanjiro	Boma	022-232-4036

Nothern Zone

Branch Name	Region	District	Street/ Road	Telephone
Nothern Zone Office	Arusha	Arusha	Sokoine road/Joel Maeda St	027 2508516
Arusha Business Center	Arusha	Arusha	Makongoro Road	022-232-4942
Arusha Market	Arusha	Arusha	Martin Road	022-232-4945
Clock Tower	Arusha	Arusha	Sokoine road/Joel Maeda Street	022-232-4948
Karatu	Arusha	Karatu	Ngorongoro Road	022-232-4724
Loliondo	Arusha	Ngorongoro	Loliondo	022-232-4721
Monduli	Arusha	Monduli	Boma Road	022-232-4718
Mto wa Mbu	Arusha	Monduli	Along ngorongoro road/mto wa mbu	022-232-4790
Namanga	Arusha	Longido	Eworendeke	022-232-4784
Ngaramtoni	Arusha	Meru	Ngaramtoni town - along Namanga/Nairobi rd	022-232-4987
Ngarenaro	Arusha	Arusha	Sokoine Road	022-232-4990
Usa River	Arusha	Meru	Arusha/Himo Road	022-232-4939
Hai	Kilimanjaro	Hai	Moshi/Arusha Road	022-232-4743
Hedaru	Kilimanjaro	Same	Hedaru A	022-232-4762
Himo	Kilimanjaro	Moshi DC	Himo/Marangu Road	022-232-4720
Holili	Kilimanjaro	Rombo	Holili border post - Tanza-nia&Kenya	022-232-4921
Mawenzi	Kilimanjaro	Moshi MC	Rengua	022-232-4963
Mbuyuni	Kilimanjaro	Moshi MC	Mbuyuni	022-232-4817
Mwanga	Kilimanjaro	Mwanga	C.D Msuya	022-232-4727
Nelson Mandela	Kilimanjaro	Moshi MC	Market	022-232-4776
Rombo	Kilimanjaro	Rombo	Rombo Mkuu	022-232-4994
Same	Kilimanjaro	Same	Bank/Posta	022-232-4996
Siha	Kilimanjaro	Siha	Sanya Juu area	022-232-4748
Tarakea	Kilimanjaro	Rombo	Moshi/Arusha Road	022-232-4745
Bumbuli	Tanga	Lushoto	Kwemuae, Bumbuli	022-232-4757
Handeni	Tanga	Handeni	Kondoa Road	022-232-4951
Kilindi	Tanga	Kilindi	Songe	022-232-4954
Korogwe	Tanga	Korogwe TC	DSM-Arusha Road	022-232-4947
Lushoto	Tanga	Lushoto	Main Road	022-232-4903
Madaraka	Tanga	Tanga	Market/Clock Tower Street	022-232-4960
Mkata	Tanga	Handeni	Mkata kwavunde - along highway of Dsm - Tanga	022-232-4763
Mkinga	Tanga	Mkinga	Mkinga District Council offices	022-232-4716
Mombo	Tanga	Korogwe	Lushoto Road	022-232-4901
Muheza	Tanga	Muheza	Posta	022-232-4981
Pangani	Tanga	Pangani	Usalama Street	022-232-4736

Highlands Zone

Branch Name	Region	District	Street/ Road	Telephone
Highlands Zone Office	Mbeya	Mbeya urban	Mbalizi Road	025 2504347
Busokelo	Mbeya	Busokelo	Busokelo district council	025 2552253
Chunya	Mbeya	Chunya	Mbeya -Tabora	022-232-4325
Kasumulu	Mbeya	Kyela	Highway road to Malawi/ Ngisi str.	022-232-4374
Kyela	Mbeya	Kyela	Mbondeni A	022-232-4344
Mbalizi Road	Mbeya	Mbeya City Council	Mbalizi Road	022-232-4334
Mbarali	Mbeya	Mbarali	Ihanga	022-232-4322
Mwanjelwa	Mbeya	Mbeya CC	Tunduma Road	022-232-4341
Tukuyu	Mbeya	Rungwe	Bomani	022-232-4395
Uyole	Mbeya	Mbeya DC	Uyole Industrial / Uyole stand	022-232-4359
Ilula	Iringa	Kilolo	Mtua	022-232-4362
Kilolo	Iringa	Kilolo	Luganga	022-232-4304
Mafinga	Iringa	Mafinga TC	Mbeya/Songea Road	022-232-4307
Mkwawa	Iringa	Iringa	Uhuru /Dodoma road	022-232-4300
Ruaha	Iringa	Iringa town	Miomboni	022-232-4389
Majimoto	Katavi	Mpimbwe	Majimoto ward, Migunga str. Kibaoni/Inyonga rd	022-232-4841
Mlele	Katavi	Mlele	Inyonga / Mlele DC	022-232-4353
Mpanda	Katavi	Mpanda TC	Madukani Road	022-232-4350
Ludewa	Njombe	Ludewa	Kanisa	022-232-4316
Makambako	Njombe	Makambako	Songea Rd	022-232-4310
Makete	Njombe	Makete	Makete Rd	022-232-4319
Njombe	Njombe	Njombe TC	Songea Road	022-232-4313
Wanging'ombe	Njombe	Wang-ing'ombe	Igwachanya	022-232-4378
Kalambo	Rukwa	Kalambo	Kalambo District council	022-232-4356
Laela	Rukwa	Sumbawanga	Nkusa - sumbawanga to mbeya road	022-232-4380
Nkasi	Rukwa	Nkasi	Soko Kuu	022-232-4368
Sumbawanga	Rukwa	Sumbawanga	Mbeya Road	022-232-4392
Ileje	Songwe	Ileje	Rungwa 'A'	022-232-4371
Mbozi	Songwe	Mbozi	Independence	022-232-4383
Mkwajuni	Songwe	Songwe	Mwambani road - Kona ya Mbeya	022-232-4386
Mlowo	Songwe	Mbozi	Tunduma Rd, Mlowo centre	022-232-4365
Tunduma	Songwe	Tunduma	Zambia Road	022-232-4398
Usongwe	Songwe	Songwe	Tunduma road	022-232-4347

Lake Zone

Branch Name	Region	District	Street/ Road	Telephone
Lake Zone Office	Mwanza	Nyamagana	Kenyatta Road	028 2500867
Buzuruga	Mwanza	Mwanza Nyamagana	Musoma Rd	022-232-4440
Igoma	Mwanza	Nyamagana	Musoma Rd / Kwa Gachuma	022-232-4555
Ilemela	Mwanza	Ilemela	Ardhi street at Ilemela DC offices	022-232-4552
Kenyatta Road	Mwanza	Nyamagana	Kenyatta Road	022-232-4513
Magu	Mwanza	Magu	Bank Street	022-232-4523
Misungwi	Mwanza	Misungwi	Shinyanga Road	022-232-4526
Mwanza Business Center	Mwanza	Nyamagana	Kenyatta Road	022-232-4455
Nansio	Mwanza	Ukerewe	Boma Road	022-232-4529
Ngudu	Mwanza	Kwimba	Kakola	022-232-4532
Pamba	Mwanza	Nyamagana	Pamba Road	022-232-4466
Rock City	Mwanza	Ilemela	Ghana street/Airport Road	022-232-4469
Sengerema	Mwanza	Sengerema	Bank Street	022-232-4540
Bukombe	Geita	Bukombe	Ushilombo	022-232-4600
Chato	Geita	Chato	Bukoba road	022-232-4443
Geita	Geita	Geita	Street Bank	022-232-4510
Katoro	Geita	Geita	Stamico street	022-232-4480
Mbogwe	Geita	Mbogwe	Masumbwe	022-232-4600
Nyang'hwale	Geita	Nyang'hwale	Kharumwa Msalala -Butalan-da str.	022-232-4431
Biharamulo	Kagera	Biharamulo	Mankorongo	022-232-4543
Kabanga	Kagera	Ngara	Nzaza, TRA Burundi border	022-232-4558
Kaitaba	Kagera	Bukoba	Junction of Uganda/Muun-gano Road	022-232-4546
Kayanga	Kagera	Karagwe	Bomani	022-232-4445
Kyerwa	Kagera	Kyerwa	Kyerwa District council	022-232-4433
Misenyi	Kagera	Misenyi	Kyaka	022-232-4498
Mtukula	Kagera	Misenyi	Mtukula TRA building / border	022-232-4434
Muleba	Kagera	Muleba	Nyerere	022-232-4451
Ngara	Kagera	Ngara	Nyerere Road	022-232-4549
Nkwenda	Kagera	Kyerwa	Nkwenda/ kaisho road	022-232-4492
Rusumo	Kagera	Ngara	Kagera / Rwanda border	022-232-4483
Bunda	Mara	Bunda	Bank St	022-232-4501
Butiama	Mara	Musoma DC	Muhunda Street	022-232-4437
Mugumu	Mara	Serengeti	Bomani	022-232-4448

Branch Name	Region	District	Street/ Road	Telephone
Musoma	Mara	Musoma MC	Gandhi/Mukendo/Kusaga Street	022-232-4504
Nyamongo	Mara	Tarime	Bom gate	022-232-4460
Old Musoma	Mara	Musoma MC	Nyerere Road	022-232-4463
Rorya	Mara	Rorya	Shirati	022-232-4495
Rorya District Council	Mara	Rorya	Ingri juu	022-232-4477
Sirari	Mara	Tarime	Forodhani, border of Tanzania -Kenya	022-232-4489
Tarime	Mara	Tarime	Bank Street	022-232-4507

Western Zone

Branch Name	Region	District	Street/ Road	Telephone
Western Zone Office	Tabora	Tabora	Jamhuri	026 2606424
Igunga	Tabora	Igunga	Bank	022-232-4618
Kaliua	Tabora	Kaliua	Ushokora, Kigoma highway	022-232-4609
Mihayo	Tabora	Tabora	Jamhuri	022-232-4651
Nkinga	Tabora	Igunga	Nkinga bus stand	022-232-4666
Nzega	Tabora	Nzega	Bank st	022-232-4645
Sikonge	Tabora	Sikonge	Police Line Mbeya -Tabora Rd	022-232-4654
Urambo	Tabora	Urambo	Boma Village	022-232-4657
Kakonko	Kigoma	Kakonko	Kanyomvi Road	022-232-4621
Kasulu	Kigoma	Kasulu TC	Kigoma Road	022-232-4606
Kibondo	Kigoma	Kibondo	Boma	022-232-4624
Kigoma	Kigoma	Kigoma-Ujiji MC	Kigoma	022-232-4612
Uvinza	Kigoma	Uvinza	Lugufu - at Uvinza DC buildings	022-232-4648
Kahama	Shinyanga	Kahama	Lumelezi	022-232-4603
Kahama Business Center	Shinyanga	Kahama	Nyasubi area along Isaka road	022-232-4663
Kishapu	Shinyanga	Kishapu	Mwasele "B"	022-232-4627
Maganzo	Shinyanga	Kishapu	Masagala	022-232-4642
Manonga	Shinyanga	Shinyanga	Uhuru	022-232-4630
Mwadui	Shinyanga	Kishapu	Sekoture	022-232-4636
Mwanhuzi	Shinyanga	Meatu	Bank	022-232-4639

Branch Name	Region	District	Street/ Road	Telephone
Bariadi	Simiyu	Bariadi	Bank	022-232-4615
Busega	Simiyu	Busega	Main road of Mwanza-Mu-soma	022-232-4523
Itilima	Simiyu	Itilima	Itilima District Council's building	022-232-4660
Maswa	Simiyu	Maswa	Uhuru	022-232-4633

Southern Zone

Branch Name	Region	District	Street/ Road	Telephone
Southern Zone Office	Mtwara	Mtwara Mikindani	Tanu road	023 2334020
Masasi	Mtwara	Masasi TC	Masasi Road	022-232-4809
Mtwara	Mtwara	Mtwara MC	Vigaeni / Sinani - PPF Plaza	022-232-4800
Mtwara Business Center	Mtwara	Mtwara MC	Tanu road	022-232-4851
Nanyumbu	Mtwara	Nanyumbu	Kilimani Hewa	022-232-4812
Newala	Mtwara	Newala	Nangwala	022-232-4803
Tandahimba	Mtwara	Tandahimba	Mji Mpya	022-232-4806
Kilwa Masoko	Lindi	Kilwa	Kilwa Road	022-232-4821
Lindi	Lindi	Lindi	Bima Street	022-232-4818
Liwale	Lindi	Liwale	Nachingwea Road	022-232-4824
Nachingwea	Lindi	Nachingwea	Government Road	022-232-4830
Ndanda	Lindi	Masasi DC	Masasi Road	022-232-4815
Ruangwa	Lindi	Ruangwa	Bomani	022-232-4827
Litembo	Ruvuma	Mbinga	RC Mission	022-232-4843
Madaba	Ruvuma	Songea DC	Mkwera- Mtepa	022-232-4854
Mbinga	Ruvuma	Mbinga	Nyerere road	022-232-4845
Namtumbo	Ruvuma	Namtumbo	Tunduru Rd	022-232-4839
Nyasa	Ruvuma	Nyasa	Likwilu str. near DC office	022-232-4848
Songea	Ruvuma	Songea MC	Sokoine/Market	022-232-4833
Tunduru	Ruvuma	Tunduru	Masasi - Songea Road	022-232-4836

Close to you

NMB Bank PLC

Head Office
Ohio/Ali Hassan Mwinyi Road
P.O. Box 9213, Dar es Salaam
Tel: (General) +255 22 232 2000
Fax: +255 22 211 2148

www.nmbbank.co.tz